

The City of Tukwila, Washington

***COMPREHENSIVE
ANNUAL
FINANCIAL REPORT***

For the Year Ended December 31, 2005

Prepared by the City of Tukwila Finance Department

STEVEN M. MULLET, MAYOR

TUKWILA CITY COUNCIL

Pam Linder, President

Joe Duffie

Joan Hernandez

Pam Carter

Jim Haggerton

Dennis Robertson

David Fenton

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2005

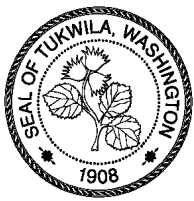
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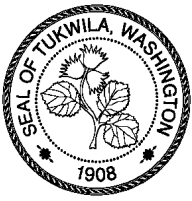
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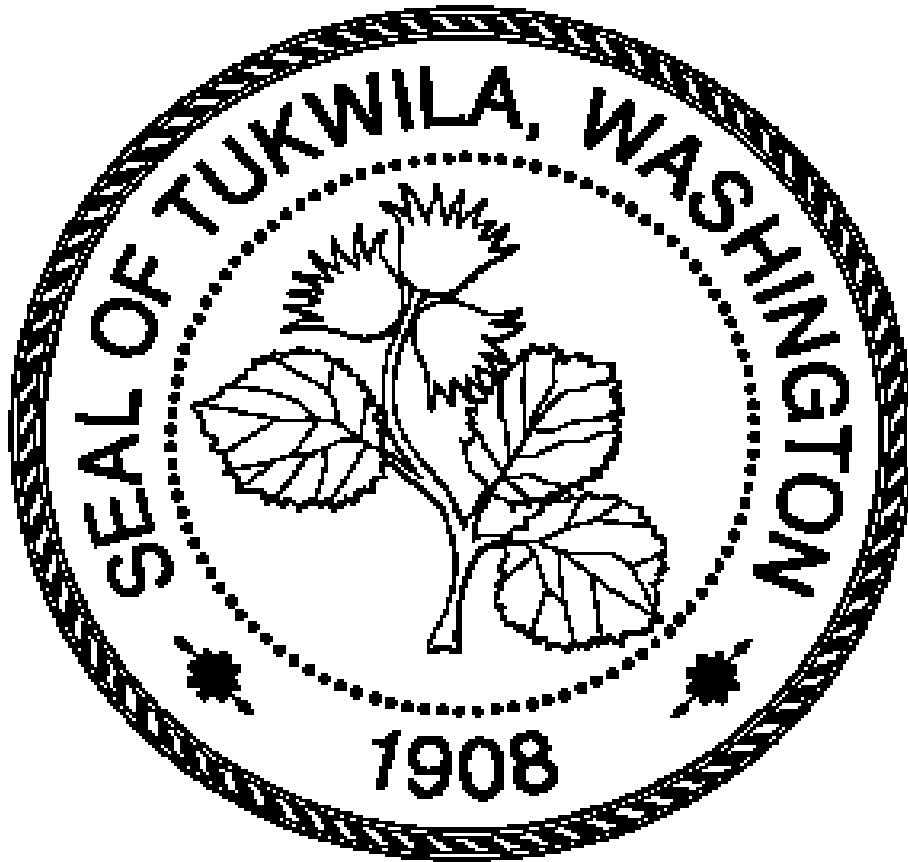
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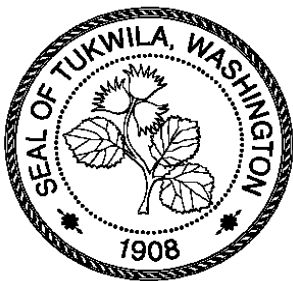
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City of Tukwila

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City of Tukwila

*FINANCE DEPARTMENT
6200 Southcenter Boulevard
Tukwila, Washington 98188-2599
(206) 433-1835*

June 29, 2006

Honorable Steven Mullet, Mayor
Members of the Tukwila City Council
Citizens of Tukwila
City of Tukwila
6200 Southcenter Boulevard
Tukwila, Washington 98188-2599

Subject: **TRANSMITTAL OF 2005 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Dear Mayor, Council Members, and Citizens:

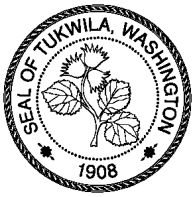
The City of Tukwila Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2005 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of my knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and agencies of the City. All disclosures necessary to enable the reader to gain an understanding of Tukwila's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. This introductory section includes this transmittal letter, the City's organization chart, and a list of principal officials. The financial section includes the State Auditor's report on the financial statements and schedules, Management's Discussion and Analysis, Government-wide Financial Statements, Fund Financial Statements, Notes to the Financial Statements, Required Supplementary Information, Combining and Individual Fund Statements, and Schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. This report includes all funds and agencies of the City.

As an aid to the reader, the major sections of this report have been segregated by divider pages, which provide introductions for the sections. Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This transmittal letter is designed to compliment the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The City of Tukwila is a noncharter optional code City, operating under Section 35A of the Revised Code of Washington. It has a strong mayor form of government with a seven-member City Council elected by the voters of the City. Councilmembers are elected at large rather than by district, are responsible for establishing the general guidelines and policies for the City, and each serves a four-year term. The mayor appoints the City Administrator as the City's chief administrative officer responsible for carrying out the policies and direction set by the mayor and council.



City of Tukwila

Letter of Transmittal

The City of Tukwila provides a full range of local government services. These services include police and fire protection; emergency medical services; construction and maintenance of streets and traditional municipal infrastructure; planning and zoning; park and recreational activities; and cultural events. In addition, the City operates an equipment maintenance/rental fund and a utility. The City operates its own municipal 18-hole golf course. The utility provides sewer, water, and storm & surface water services. The City has a municipal court for traffic infractions, misdemeanors, and gross misdemeanors. Other jurisdictions provide jail services to the City. Tukwila residents receive library services from the King County Library System.

Incorporated in 1908, the City of Tukwila abuts the City of Seattle on the north, and is one mile east of Seattle-Tacoma International Airport. Tukwila has a small residential population of 17,110; however, the daytime shopper/visitor and working population can reach over 100,000 during the holiday shopping season.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

A diverse regional economy is led by the Boeing Airplane Company and other smaller manufacturing companies. The Puget Sound region is a major international trade gateway to the Far East. Also, high tech industries such as Microsoft have made their home in this region. This diversity has now become the strength of our economic well being.

Tukwila enjoys a strong position in the Puget Sound region as well as the State of Washington. Tukwila's location at the crossroads of the State's most significant freeway network (the I-5 and I-405 interchange) and planned multi-modal transit center and commuter light rail, reinforces the well-established advantages of Tukwila as a business location. These major transportation systems and strategic access to Seattle, Tacoma, Sea-Tac Airport and the population base of the south Puget Sound region provide a natural setting for commercial and industrial activity.

Tukwila enjoys one of the largest sales tax bases in the State of Washington, with \$17.130 million in revenue for 2005. The total combined retail sales activity amounted to approximately \$2.04 billion in 2005. At the center of this strength is the Westfield Shoppingtown Southcenter and Parkway Plaza retail development, which combine to create one of the largest retail concentrations on the west coast. This strength has attracted new retail establishments to locate in Tukwila.

This diversified revenue base is further supported by an assessed valuation of \$3.6 billion as well as our above-mentioned sales tax base, and has allowed the City to pursue an aggressive capital improvement program.

Long-term Financial Planning

The City adopts a new six-year financial planning model each year. This model includes the current year budget and five future years. This model includes all government operations including the six-year capital plan. There is a separate section for the General Government and the Business Activities.

This model, which is updated each year, provides a long-term look at the City's ability to complete its mission and capital plan. New revenue generation and new program development is overlaid on the model to determine fiscal impacts.

Cash Management and Investments

The City operates an aggressive cash management program, investing all surpluses as determined by anticipated cash flow needs. Investment decisions are based on established investment policies, analysis of liquidity requirements, safety assurances and yield. The City's portfolio has included U.S. Government Securities, Bankers Acceptances, and time deposits with maturities ranging from twenty-nine days to three years during 2005.

Also, the Washington State Treasurer has oversight responsibility for an investment pool for use by any city, county, town, municipal corporation, or special taxing district within the state. Municipalities determine the amount and length of investment based on individual cash flow needs. Interest is earned based on the pool's actual experience for the month, less an administrative fee. The interest rate earned by the pool has become a recognized benchmark for entities to measure their own portfolio performance. The City had \$11,320,011 in the pool at year-end, and during the year this vehicle was used frequently for short-term investing.

Risk Management

It is the City's policy to self-insure for unemployment benefits as well as medical and dental costs. All buildings, equipment and vehicles are insured by carriers for coverage at replacement value.

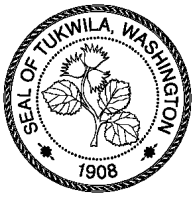
The City is a member of the Washington Cities Insurance Authority (WCIA) as of January 1, 1984. The WCIA is a municipal corporation and not a joint venture per the Washington State Auditor's Office. The pooling arrangement with 114 other entities provides the City's general liability, vehicle liability, false arrest, and errors and omissions coverage. (*See Note 14 for a more expansive discussion*).

Pension and Other Post Employment Benefits

All employees are covered by State of Washington pension systems, public safety employees by the Law Enforcement Officers and Fire Fighters system (LEOFF), and non-public safety personnel by the Public Employees Retirement System (PERS). Also, there is a separate firemen's pension system for firefighters who retired prior to March 1, 1970. (*See Note 8 Pension Plans for a more detailed review of these pension systems*). Post retirement benefits are available currently to 39 LEOFF retirees. The total amount paid in 2005 was \$458,341. (*See Note 15 Other Post Employment Benefits for further information*).

Independent Audit

State law requires an annual audit of all books of account, financial records and transactions by the State Auditor, who is an independently elected state official. The State Auditor has broad legal authority to inquire into all financial and legal compliance matters, and his audit opinion is considered to be at least equal in authority to that made by an independent certified public accounting firm. The audit is conducted under the Federal Government's Single Audit Act (as revised in 1996), and is conducted in conformance with generally accepted auditing standards. The financial statements of all City funds are included in this audit, and the City has been given



City of Tukwila

Letter of Transmittal

an unqualified opinion for 2005. Please see the Auditor's Opinion directly following the divider entitled "Financial Section" in this document.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Tukwila for its comprehensive annual financial report for the fiscal year ended December 31, 2004. This was the 18th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

Preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of the entire staff of the Finance Department and the cooperation of other City departments. Their long hours of data collection, document processing, layout and formatting are greatly appreciated. The Mayor, City Administrator and City Council are to be complimented for their encouragement, interest, and support in conducting the financial operations of the City in a sound and progressive manner. The efficient assistance of examiners from the Office of the State Auditor is also appreciated. Staff who had a direct role in preparing Tukwila's 2005 Comprehensive Annual Financial Report take great pride in their work, and the entire team who worked on this project is to be commended.

Respectfully submitted,

Kevin A. Fuhrer
Finance Director

cc: Office of the State Auditor

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tukwila,
Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

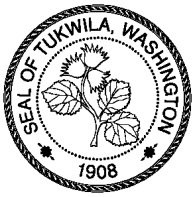


Carla E. Perry

President

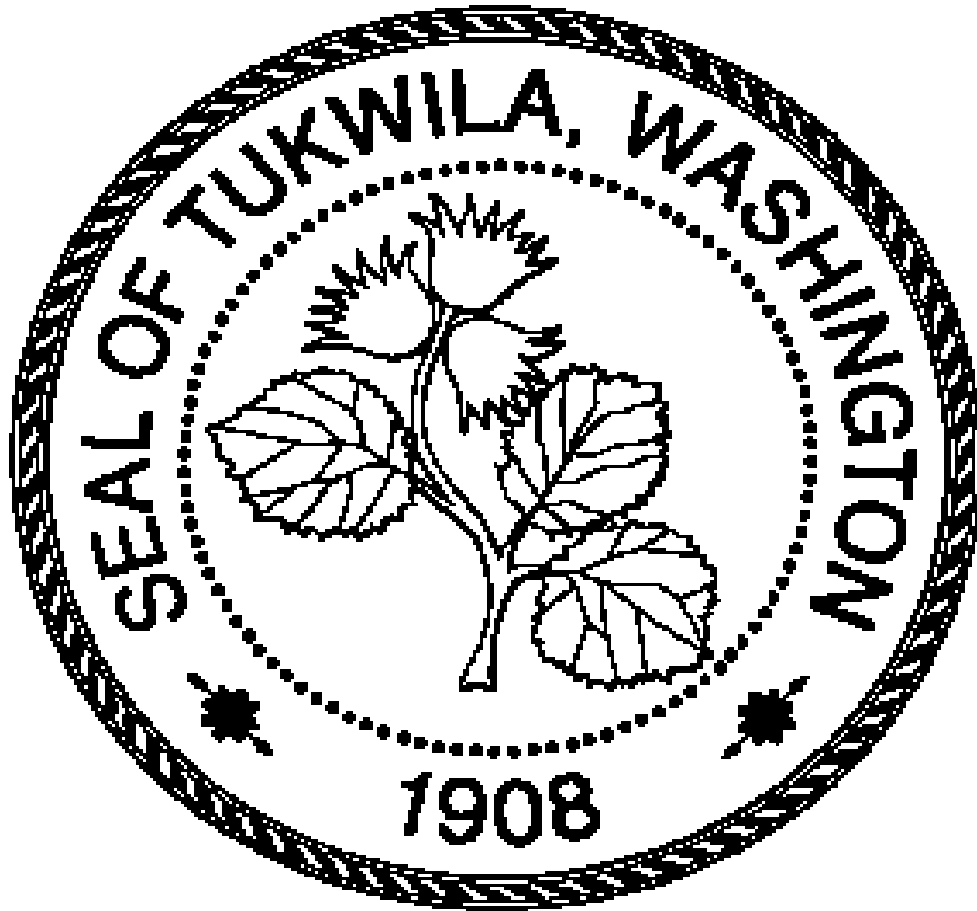
Jeffrey R. Enen

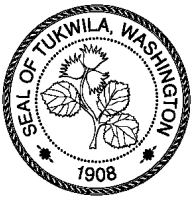
Executive Director



City of Tukwila

Letter of Transmittal

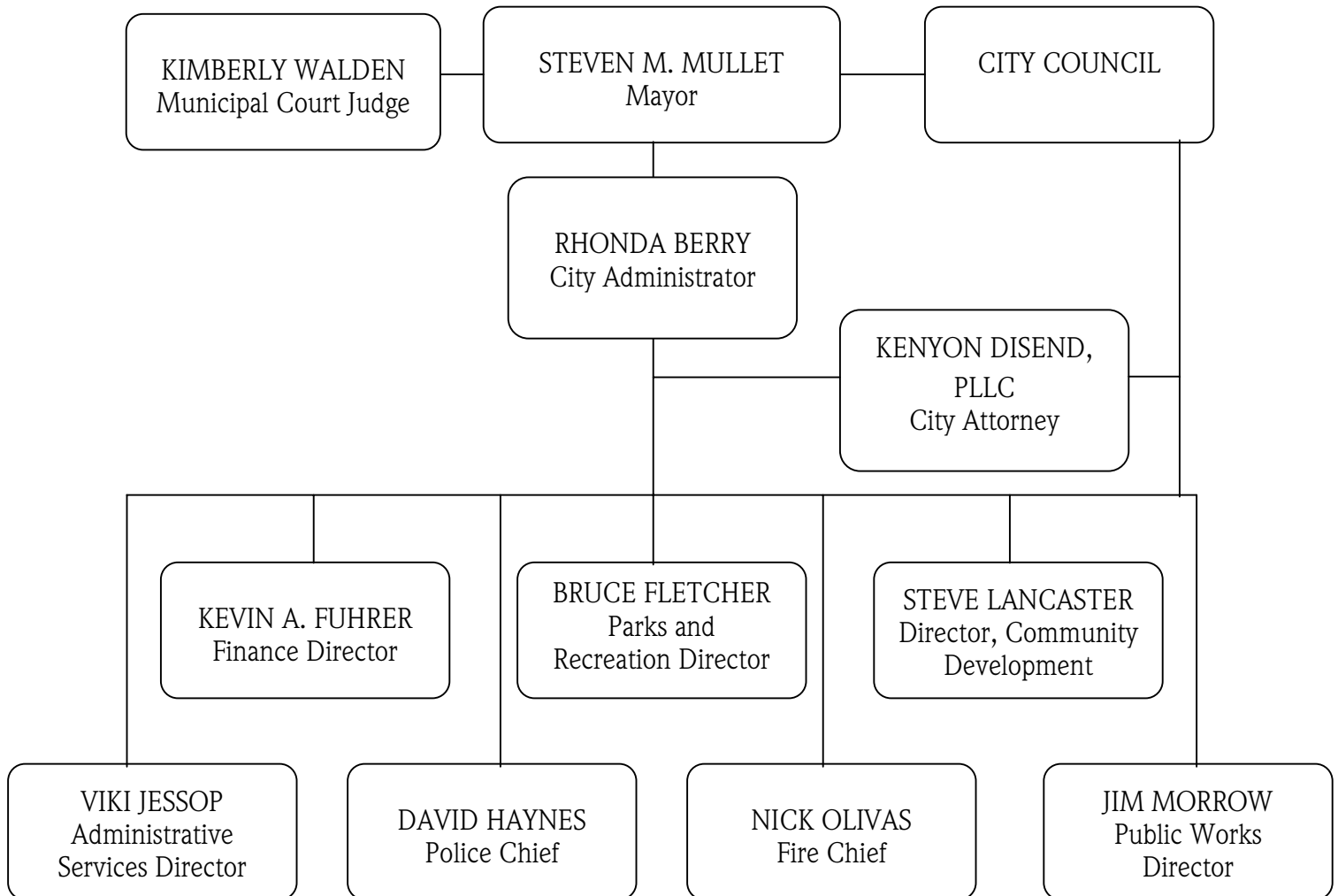




City of Tukwila

Administrative Organization Structure, Principal Officials, and Council Committees

ADMINISTRATIVE ORGANIZATION STRUCTURE AND PRINCIPAL OFFICIALS



COUNCIL COMMITTEES

FINANCE AND SAFETY COMMITTEE

Dennis Robertson, Chairperson
Pam Carter, Member
Dave Fenton, Member

TRANSPORTATION

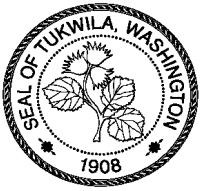
Jim Haggerton, Chairperson
Joe Duffie, Member
Pam Carter, Member

COMMUNITY AFFAIRS AND PARKS

Joe Duffie, Chairperson
Joan Hernandez, Member
Dennis Robertson, Member

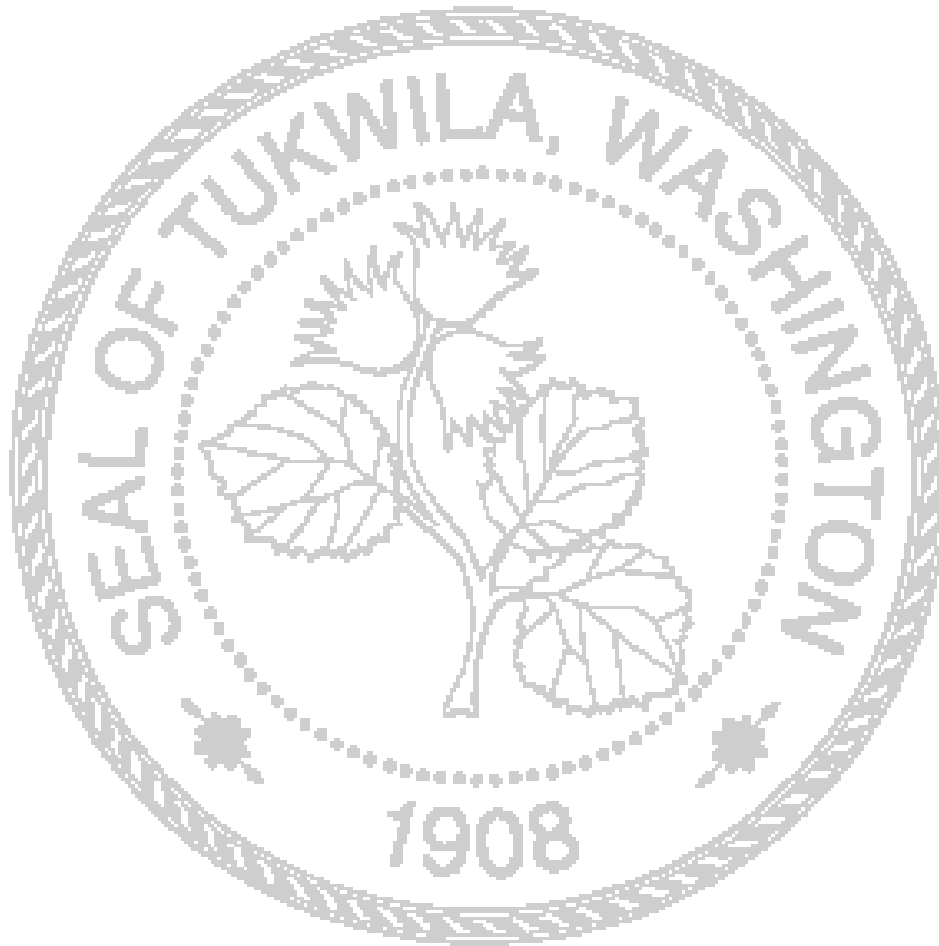
UTILITIES

Dave Fenton, Chairperson
Joan Hernandez, Member
Jim Haggerton, Member



City of Tukwila

Introductory Section





Washington State Auditor's Office
Brian Sonntag

Legislative Building
PO Box 40021
Olympia, Washington 98504-0021

(360) 902-0370
FAX (360) 753-0646
TDD Relay 1-800-833-6388
<http://www.soa.wa.gov>

INDEPENDENT AUDITOR'S REPORT

City Council
City of Tukwila
Tukwila, Washington

June 29, 2006

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tukwila, King County, Washington, as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tukwila, King County, Washington, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund, Hotel/Motel Tax Fund, and the Arterial Street Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

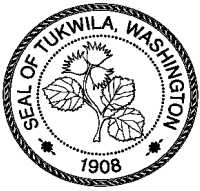
The management's discussion and analysis on pages 11 through 22, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplemental information on pages 70 through 105 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

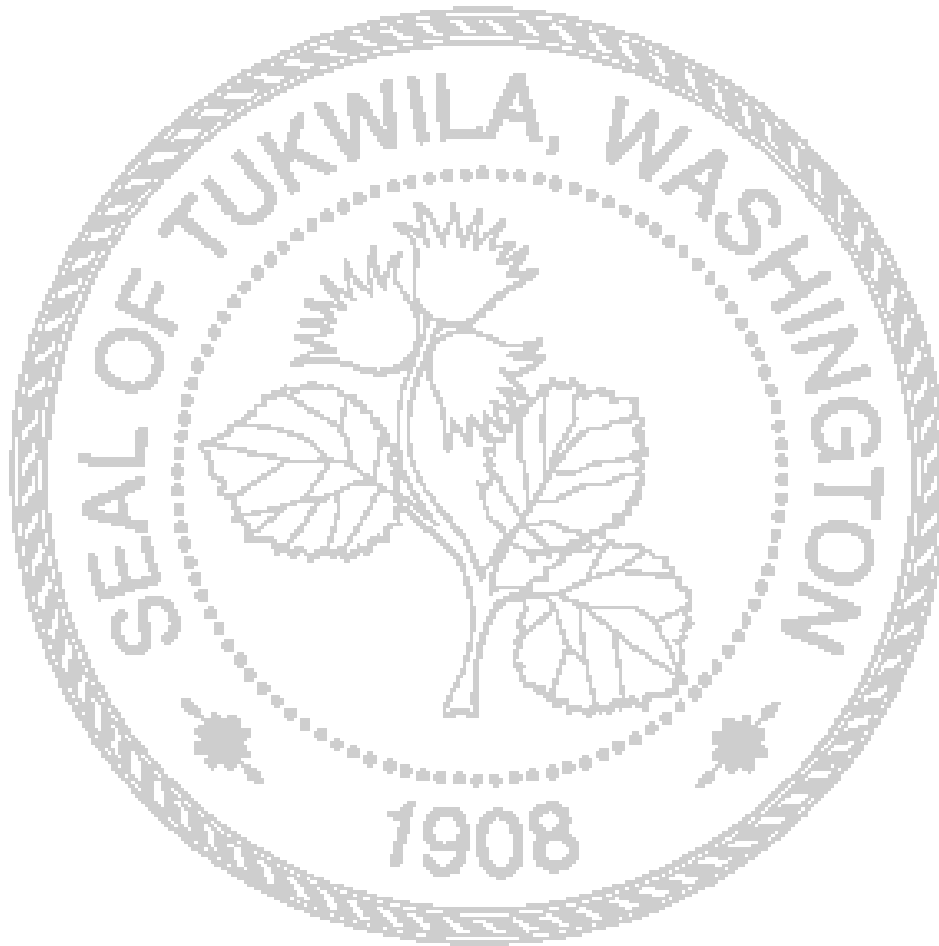
Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR



City of Tukwila

Auditor's Opinion



CITY OF TUKWILA MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2005

The discussion and analysis of the City of Tukwila's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, and the basic financial statements to enhance their understanding of the City's financial performance.

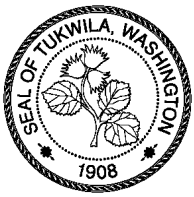
FINANCIAL HIGHLIGHTS

- Total net assets, the amount by which total assets exceed total liabilities, equal \$198.3 million. A total of 81.3 percent or \$161.2 million of total net assets is invested in capital assets such as streets, land, buildings, equipment, and other improvements. The remaining net assets of \$37.1 million is available for debt service, capital projects, and to meet the government's ongoing activities and obligations.
- The government's net assets increased by \$6.8 million in 2005. Government activities provided \$6.4 million or 94.4 percent with the remainder being provided by the business-type activities.
- As of the close of the current fiscal year, the City of Tukwila's governmental funds reported combined ending fund balances of \$22,324,467 an increase of \$379,555 in comparison with the prior year. Approximately 94.3 percent of this total amount, \$21,061,217, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$8,408,104, or 25.3 percent of total general fund expenditures.
- The City of Tukwila's total debt decreased by \$1,746,000 (5.9 percent) during the current fiscal year. The key factor in this net decrease was due to the retirement of bond principal.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Tukwila as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole City presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.



City of Tukwila

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Tukwila's basic financial statements. The City of Tukwila's basic financial statements include three components:

1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

With the implementation of Governmental Accounting Standards Board (GASB) Statement No. 34 during the 2002 year, we have changed the presentation of the City's financial statements. The new focus is on both the City as a whole (government-wide) and the major individual funds. The dual perspectives allow the reader to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability. The GASB establishes reporting standards for state and local governments whereas the City's budget is the responsibility of City elected officials and officers.

Government-wide Financial Statements

The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the City of Tukwila's finances, in a manner similar to a private sector business.

The *Statement of Net Assets* presents information on all of the City of Tukwila's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Tukwila is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The Statement of Activities is focused on both the gross and net cost of various activities (including governmental and business-type). This is intended to summarize and simplify the reader's analysis of the revenues and costs of various city activities and the degree to which activities are subsidized by general revenues.

Both of the government-wide financial statements distinguish functions of the City of Tukwila that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Tukwila include general government, public safety, physical environment, transportation, economic environment, culture and recreation, and interest on long-term debt. The business-type activities of the City of Tukwila include the Water/Sewer Utility, Foster Golf Course, and Surface Water Utility.

The *Government-wide Financial Statements* can be found on pages 23 – 25 of this report.

Fund Financial Statements

Traditional readers of governmental financial statements will find the *Fund Financial Statements* presentation familiar. However, the focus is now on major funds, rather than fund types.

A *fund* is a grouping of related accounts used to maintain control over resources that are segregated for specific activities or objectives. The City of Tukwila, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

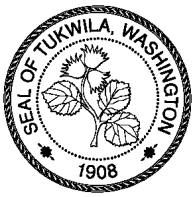
Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for three major funds and an aggregate total for all nonmajor funds. The City's major governmental funds are the General Fund, Hotel/Motel Tax Fund, and the Arterial Street Fund. Individual fund data for each of the nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The *Governmental Fund Financial Statements* can be found on pages 26 – 32 of this report.

Proprietary Funds. The City of Tukwila maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. *Internal service funds* represent an accounting device used to accumulate and allocate costs internally among the City of Tukwila's various functions. The City of Tukwila uses internal service funds to account for general services such as equipment rental and the City's self-insured medical plan. Because internal service funds predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, but in greater detail. The internal service funds are combined for presentation purposes. Individual fund data for the City's nonmajor proprietary funds are provided in the form of *combining statements* elsewhere in this report.

The *Proprietary Fund Financial Statements* can be found on pages 33 – 35 of this report.



City of Tukwila

Management's Discussion and Analysis

Fiduciary Funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The *Fiduciary Fund Financial Statements* can be found on pages 36 – 37 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38 – 68 of this report.

Other Required Information. In addition to this discussion and analysis, this report also presents required supplementary information on pension plan funding. Required supplementary information can be found on pages 69 - 72 of this report.

The combining statements referred to earlier are presented immediately following the required supplementary information. Combining and individual fund statements can be found on pages 73 - 104 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the City of Tukwila, total assets exceeded liabilities by \$198,308,356 at December 31, 2005.

The largest portion of the City's net assets (81.3 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Tukwila uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Tukwila's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Tukwila's Net Assets

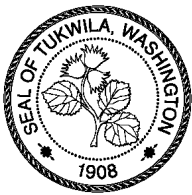
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	\$ 32,092,403	\$ 34,016,924	\$ 12,450,163	\$ 13,312,376	\$ 44,542,566	\$ 47,329,300
Capital Assets	147,722,513	141,616,629	43,043,517	40,749,054	190,766,030	182,365,683
Total Assets	179,814,916	175,633,553	55,493,680	54,061,430	235,308,596	229,694,983
Long-term Liabilities						
Outstanding	21,754,447	22,515,285	13,428,475	12,207,816	35,182,922	34,723,101
Other Liabilities	1,610,408	3,098,899	206,910	380,125	1,817,318	3,479,024
Total Liabilities	23,364,855	25,614,184	13,635,385	12,587,941	37,000,240	38,202,125
Net Assets:						
Invested in Capital Assets, Net of Related Debt	129,855,251	123,038,903	31,370,812	30,848,350	161,226,063	153,887,253
Restricted	1,305,239	1,107,362	577,587	960,485	1,882,826	2,067,847
Unrestricted	25,289,571	25,873,104	9,909,896	9,664,654	35,199,467	35,537,758
Total Net Assets	\$ 156,450,061	\$ 150,019,369	\$ 41,858,295	\$ 41,473,489	\$ 198,308,356	\$ 191,492,858

A portion of the City of Tukwila's net assets (0.9 percent) represents resources that are subject to constitutional or external restrictions on how they may be used. The remaining balance of *unrestricted net assets* of \$35,199,467 (17.8 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Tukwila is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The increase in the total long-term liabilities of \$459,821 is due to the City incurring \$2,251,633 in new Public Works Trust Fund loan and capital lease obligations exceeding \$(1,913,812) and \$122,000 of debt principal repayments, net of deferred amounts, and the net change increase in the compensated absences liability, respectively.

Net assets increased by \$6,815,498 over 2004. The largest portion of this increase was additional arterial street infrastructure of \$6,669,833. There were additional culture and recreation capital assets added totaling \$184,689; \$8,682 and \$265,426 of new facility replacement and general government improvement capital outlays, respectively. The remainder of the net assets increase reflects net increases in the expenditure/revenue actuals.



City of Tukwila

Management's Discussion and Analysis

Governmental Activities. Governmental activities resulted in a net increase in the City of Tukwila's net assets of \$6,430,692 accounting for 94.4 percent of the total growth in the City's net assets. Key elements of this increase are as follows:

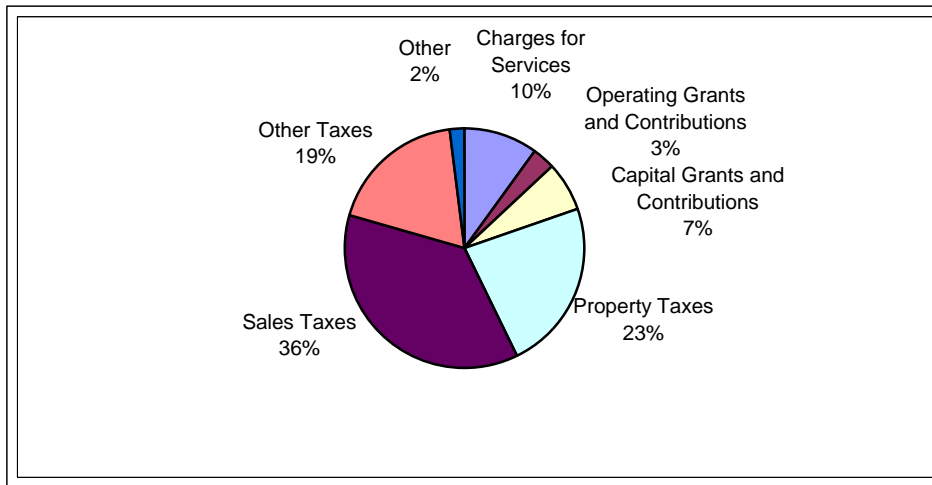
City of Tukwila's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	\$ 4,561,388	\$ 4,699,502	\$ 10,879,404	\$ 10,679,549	\$ 15,440,792	\$ 15,379,051
Operating Grants and Contributions	1,525,579	1,607,688	0	0	1,525,579	1,607,688
Capital Grants and Contributions	3,060,960	3,705,424	319,439	588,891	3,380,399	4,294,315
General Revenues:						
Property Taxes	10,631,036	10,336,366	0	0	10,631,036	10,336,366
Retail Sales and Use Taxes	16,887,846	16,492,528	241,723	228,458	17,129,569	16,720,986
Natural Gas Use Tax	381,706	29,667	0	0	381,706	29,667
Hotel/Motel Taxes	443,605	390,221	0	0	443,605	390,221
Utility Taxes	2,646,356	2,309,787	0	0	2,646,356	2,309,787
Business Taxes	1,732,739	1,614,587	0	0	1,732,739	1,614,587
Excise Taxes	3,229,155	4,100,309	0	0	3,229,155	4,100,309
State Entitlements, Impact Fees, In-Lieu Taxes	192,816	191,589	0	0	192,816	191,589
Investment Earnings	768,097	416,483	310,750	188,242	1,078,847	604,725
Gain on Sale of Capital Assets	106,776	0	0	0	106,776	0
Total Revenues	46,168,059	45,894,151	11,751,316	11,685,140	57,919,375	57,579,291
Program Expenses Including Indirect Expenses:						
General Government	6,421,839	6,167,738	0	0	6,421,839	6,167,738
Public Safety	20,300,709	18,769,074	0	0	20,300,709	18,769,074
Physical Environment	1,363,049	1,442,209	0	0	1,363,049	1,442,209
Transportation	4,171,173	4,962,043	0	0	4,171,173	4,962,043
Economic Environment	3,404,605	3,469,673	0	0	3,404,605	3,469,673
Culture and Recreation	3,887,871	3,680,402	0	0	3,887,871	3,680,402
Interest on Long-term Debt	1,012,239	1,034,841	0	0	1,012,239	1,034,841
Water/Sewer Utility	0	0	7,105,020	6,774,102	7,105,020	6,774,102
Foster Golf Course	0	0	1,751,709	1,670,400	1,751,709	1,670,400
Surface Water Utility	0	0	1,685,663	1,625,579	1,685,663	1,625,579
Total Expenses	40,561,485	39,525,980	10,542,392	10,070,081	51,103,877	49,596,061
Increase (Decrease) in Net Assets Before Transfers	5,606,574	6,368,171	1,208,924	1,615,059	6,815,498	7,983,230
Transfers	824,118	(450,000)	(824,118)	450,000	0	0
Increase (Decrease) in Net Assets	6,430,692	5,918,171	384,806	2,065,059	6,815,498	7,983,230
Net Assets – Beginning Balance	150,019,369	44,101,198	41,473,489	39,765,849	191,492,858	183,867,047
Prior Period Adjustments	0	0	0	(357,419)	0	(357,419)
Net Assets – Ending Balance	\$156,450,061	\$150,019,369	\$ 41,858,295	\$ 41,473,489	\$198,308,356	\$191,492,858

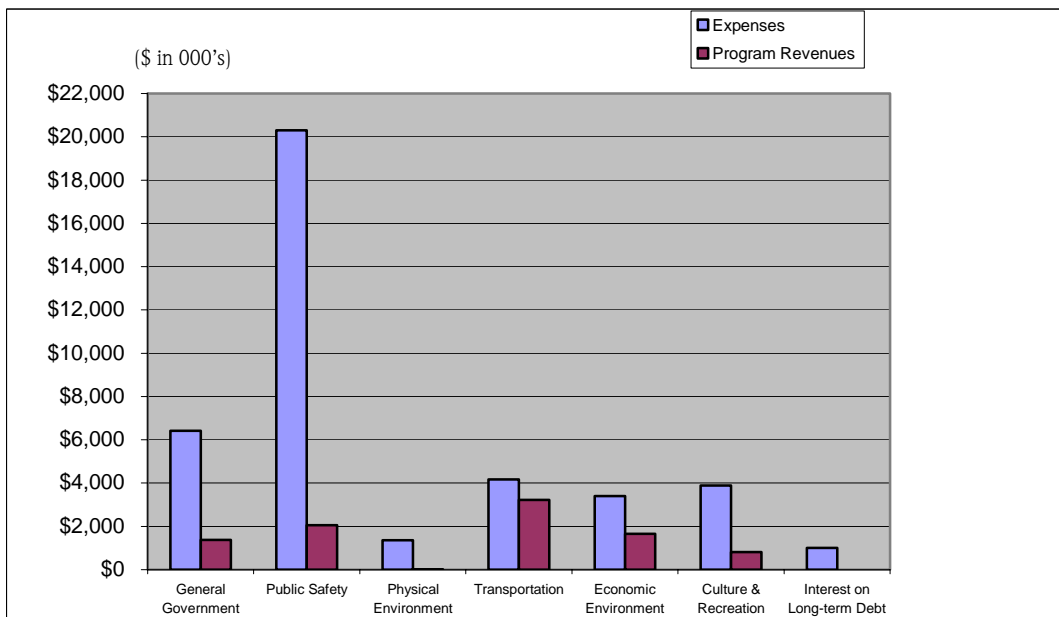
As previously mentioned, the City's activities are divided between governmental and business-type. The majority of support for governmental activities comes from taxes and intergovernmental grants, while the business-type activities are supported primarily through user charges.

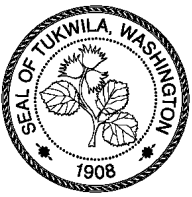
- There was a positive change in fund balance in the current year of \$379,555.
- There was an excess of Capital Outlay and Donations over Depreciation Expense of \$5,998,357.
- There was an increase due to Bond Principal Retirement of \$851,000.
- Other net decreases include: Net Pension Asset change, Investment Interest Receivable, Joint Venture, Internal Service Fund net change, Deferred Revenues change, and Other Miscellaneous changes totaling (\$798,220).

Revenues by Source – Governmental Activities



Expenses and Program Revenues – Governmental Activities





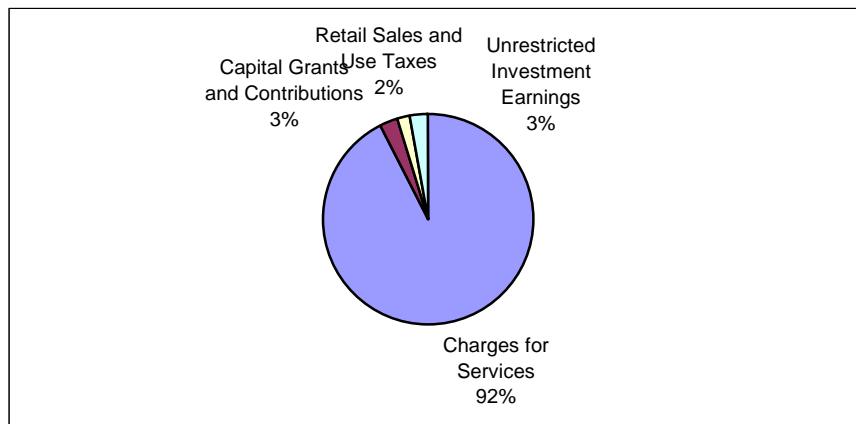
City of Tukwila

Management's Discussion and Analysis

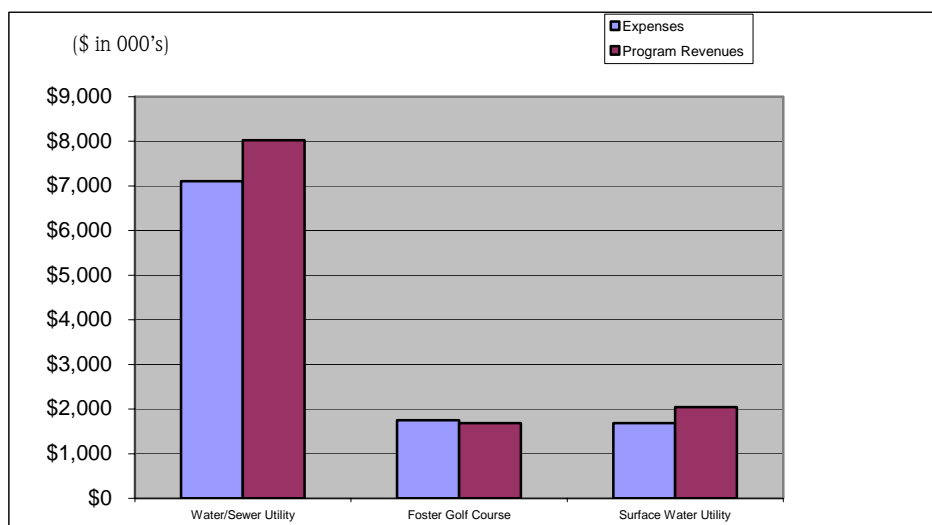
Business-type Activities. *Business-type activities* increased the City of Tukwila's net assets by \$384,806, accounting for 5.6 percent of the total growth in the City's net assets. Key elements of this increase are as follows:

- Net operating income of \$838,576 and non-operating income of \$81,082 account for \$919,658 of the increase.
- Capital contributions of \$319,439 and net transfers out of (\$824,118) account for (\$504,679) of the net change.
- Internal Service Funds consolidation amount of (\$30,173) is the final element of the net change.

Revenues by Source – Business-Type Activities



Expenses and Program Revenues – Business-Type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Tukwila uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. As discussed earlier, the focus of the City of Tukwila's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Tukwila's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Tukwila's governmental funds reported combined ending fund balances of \$22,324,467. Approximately 94.3 percent of this total amount (\$21,061,217) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remaining 5.7 percent (\$1,263,250) of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to Imprest Funds and Interfund Loans.

The General Fund is the primary operating fund of the City of Tukwila. At the end of the fiscal year, total fund balance for the General Fund equaled \$8,965,794. Unreserved fund balance, the amount considered available to spend, totaled \$8,408,104. Of the General Fund balance, \$2,816,822, relates to certain accrued revenues and has been designated for unknown contingent liabilities. It is not considered available to spend.

The fund balance of the City of Tukwila's General Fund decreased by (\$125,535) during the current fiscal year.

The fund balance of the Hotel/Motel Tax Fund increased by \$154,886 in 2005. This notable rise was derived largely from an upward trend in tax revenues. An aggressive promotion campaign waged by the City resulted in a substantial change in overnight hotel stays.

Proprietary Funds. The City of Tukwila's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

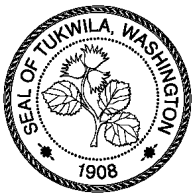
GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the General Fund original budget and the final amended budget total \$370,000. The increased appropriation was required to accommodate a transfer to the Foster Golf Course Fund 411.

The offsetting change to the appropriation was recognized through an increase in retail sales tax revenues (\$320,000) and an increase in franchise fees (\$50,000).

Actual expenditures were \$3,302,781 under the appropriated amount. Most of the difference is attributed to interfund services provided and used of \$1,911,752, which reduced the General Fund actuals. Project carryovers in the Transportation category accounted for \$568,924 and the remaining \$822,105 reflects general savings in all departments.

Actual revenues exceeded budgeted estimates by \$137,087. This immaterial variance is indicative of the strength of the City's comprehensive budget analysis and review.



City of Tukwila

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City of Tukwila's investment in capital assets for its governmental and business-type activities as of December 31, 2005, amounts to \$190,766,030 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset events during the current fiscal year included the following:

- Various repair and overlay projects to the City's major arterials totaled nearly \$800,000.
- Major arterial – Tukwila International Boulevard improvement totaled \$1.3 million in 2005.
- Drainage improvements to the Cascade View Surface Water Management System amounted to \$4 million. The project will be completed in 2006.

City of Tukwila's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 35,601,817	\$ 35,480,519	\$ 2,429,256	\$ 2,429,256	\$ 38,031,073	\$ 37,909,775
Buildings	16,078,120	16,343,225	7,766,588	7,396,444	23,844,708	23,739,669
Other Improvements	4,641,319	4,568,591	27,134,314	27,450,635	31,775,633	32,019,226
Machinery and Equipment	3,854,852	3,726,158	1,262,926	1,248,678	5,117,778	4,974,836
Infrastructure	80,816,273	70,871,527	0	0	80,816,273	70,871,527
Construction in Progress	6,730,132	10,626,609	4,450,433	2,224,041	11,180,565	12,850,650
Total	\$ 147,722,513	\$ 141,616,629	\$ 43,043,517	\$ 40,749,054	\$ 190,766,030	\$ 182,365,683

Additional information on the City of Tukwila's capital assets can be found in *Note 6* on pages 51 – 52 of this report.

Long-term Debt. At the end of the current fiscal year, the City of Tukwila had total bonded debt outstanding of \$27,903,000. Of this amount, \$24,713,000 comprises debt backed by the full faith and credit of the government and the remainder of \$3,190,000 of the City of Tukwila's debt represent bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of Tukwila's Outstanding Debt General Obligation and Revenue Bonds

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
General Obligation Bonds	\$ 19,740,500	\$ 20,591,500	\$ 4,972,500	\$ 5,382,500	\$ 24,713,000	\$ 25,974,000
Revenue Bonds	0	0	3,190,000	3,675,000	3,190,000	3,675,000
Total	\$ 19,740,500	\$ 20,591,500	\$ 8,162,500	\$ 9,057,500	\$ 27,903,000	\$ 29,649,000

The City of Tukwila's total debt decreased by \$1,746,000 (5.9 percent) during the current fiscal year.

Bond principal redemptions account for the reduction necessary for the change of \$1,746,000.

Governmental Activities Long-Term Debt – The City has an A1 and an Aaa bond rating from Moody's Investor Service for its 1999, 2000, and 2003 General Obligation Bonds, and 2003 General Obligation Refunding Bonds, respectively.

Business-Type Activities Long-Term Debt – The City's bond rating from Moody's Investor Service is Aaa for the 1993 and 1995 Revenue Bonds. The City has an A1 and Aaa bond rating from Moody's Investor Service for its 2003 General Obligation Bonds.

Additional information on the City of Tukwila's long-term debt can be found in *Note 10* on pages 61 – 63 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The State's unemployment rate was 5.3 percent which is down .9 percent from 2004.
- The area mall and other retail establishments are experiencing increasing revenues, and several new businesses have located in the City.
- The King County housing market continues to surge forward. In 2005, the median price of a single-family home weighed in at \$405,000 and amounted to a 12% increase in value over 2004.

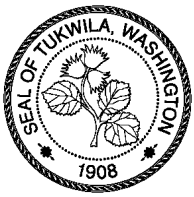
All of these factors were considered in preparing the budget for the 2006 Budget and Fiscal year.

During the 2006 budget year, fund balance from 2005 will be used to balance the budget along with a third full year of the newly implemented utility tax on energy consumption and communications services.

Also, there will be consideration for utility rate increases in the sewer and surface water utilities in order to finance capital needs.

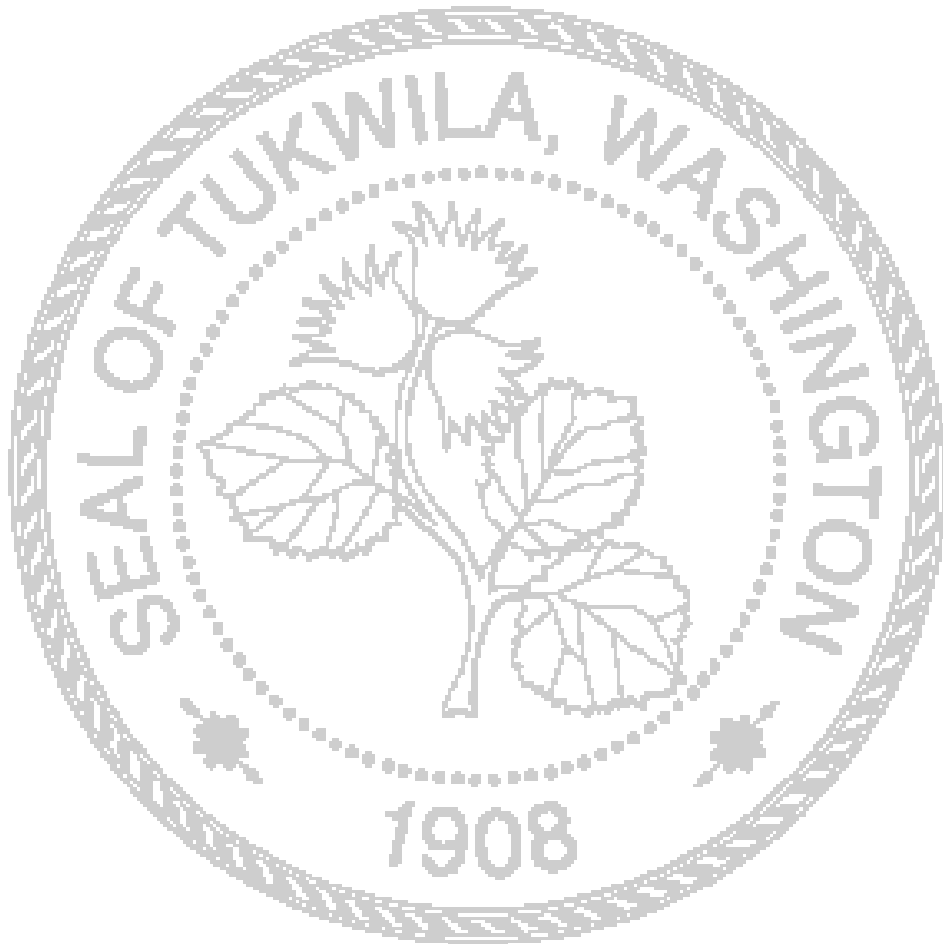
REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City of Tukwila's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Kevin Fuhrer, Finance Director, 6200 Southcenter Boulevard, Tukwila, Washington, 98188, (206) 433-1800, or email at tukfin@ci.tukwila.wa.us.



City of Tukwila

Management's Discussion and Analysis





STATEMENT OF NET ASSETS December 31, 2005

DESCRIPTION	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 1,278,740	\$ 234,200	\$ 1,512,940
Deposit with Fiscal Agent/Trustee	6,771	0	6,771
Investments	21,493,206	10,063,263	31,556,469
Receivables:			
Taxes	3,758,511	48,531	3,807,042
Customer Accounts	151,515	707,547	859,062
Interest on Investments	140,963	61,450	202,413
Due From Other Governmental Units	1,017,046	47,651	1,064,697
Internal Balances	84,607	(84,607)	0
Inventory of Materials and Supplies	1,488,300	427,599	1,915,899
Notes Receivable	0	123,539	123,539
Net Pension Asset	111,642	0	111,642
Investment in Joint Venture	2,398,848	0	2,398,848
Deferred Charges	162,254	88,604	250,858
Restricted Assets:			
Cash and Cash Equivalents	0	86,293	86,293
Investments	0	575,000	575,000
Land and Construction Work in Progress	42,331,949	6,879,689	49,211,638
Depreciable Capital Assets, Net	105,390,564	36,163,828	141,554,392
Plant Acquisition Adjustment (Net of Accumulated Amortization)	0	71,093	71,093
TOTAL ASSETS	179,814,916	55,493,680	235,308,596
LIABILITIES			
Accounts Payable	49,276	0	49,276
Due To Other Governmental Units	66,763	0	66,763
Accrued Interest Payable	79,492	115,024	194,516
Revenues Collected in Advance	75,200	0	75,200
Other Current Liabilities	1,224,381	8,180	1,232,561
Liabilities Payable from Restricted Assets:			
Revenue Bond Principal	0	510,000	510,000
Deposits	0	83,706	83,706
Unearned Revenue	115,296	0	115,296
Long-Term Liabilities			
Due Within One Year	948,000	804,776	1,752,776
Due in More Than One Year	20,806,447	12,113,699	32,920,146
TOTAL LIABILITIES	23,364,855	13,635,385	37,000,240
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	129,855,251	31,370,812	161,226,063
Restricted for:			
Debt Service	1,305,239	577,587	1,882,826
Unrestricted	25,289,571	9,909,896	35,199,467
TOTAL NET ASSETS	\$ 156,450,061	\$ 41,858,295	\$ 198,308,356

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.



STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

		PROGRAM REVENUES			
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
FUNCTIONS/PROGRAMS	EXPENSES				
GOVERNMENTAL ACTIVITIES:					
General Government	\$ 6,421,839	\$ 1,376,749	\$ 1	\$ 2,000	
Public Safety	20,300,709	1,328,369	466,469	259,503	
Physical Environment	1,363,049	12,400	106	0	
Transportation	4,171,173	122,201	368,293	2,734,457	
Economic Environment	3,404,605	1,027,812	634,649	0	
Culture & Recreation	3,887,871	693,857	56,061	65,000	
Interest on Long-Term Debt	1,012,239	0	0	0	
TOTAL GOVERNMENTAL ACTIVITIES	\$ 40,561,485	\$ 4,561,388	\$ 1,525,579	\$ 3,060,960	
BUSINESS-TYPE ACTIVITIES:					
Water/Sewer Utility	\$ 7,105,020	\$ 7,604,711	\$ 0	\$ 218,519	
Foster Golf Course	1,751,709	1,434,933	0	0	
Surface Water Utility	1,685,663	1,839,760	0	100,920	
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 10,542,392	\$ 10,879,404	\$ 0	\$ 319,439	

General Revenues:

Property Taxes
Retail Sales and Use Taxes
Natural Gas Use Tax
Hotel/Motel Taxes
Utility Taxes
Business Taxes
Excise Taxes
State Entitlements, Impact Fees, In-Lieu Taxes
Unrestricted Investment Earnings
Gain on Sale of Capital Assets
Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

NET (EXPENSES) REVENUE AND CHANGES IN NET ASSETS

GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL
\$	(5,043,089)	\$	0	\$ (5,043,089)
	(18,246,368)		0	(18,246,368)
	(1,350,543)		0	(1,350,543)
	(946,222)		0	(946,222)
	(1,742,144)		0	(1,742,144)
	(3,072,953)		0	(3,072,953)
	(1,012,239)		0	(1,012,239)
\$	(31,413,558)	\$	0	\$ (31,413,558)
<hr/>				
\$	0	\$	718,210	\$ 718,210
	0		(316,776)	(316,776)
	0		255,017	255,017
\$	0	\$	656,451	\$ 656,451
<hr/>				
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\$	10,631,036	\$	0	\$ 10,631,036
	16,887,846		241,723	17,129,569
	381,706		0	381,706
	443,605		0	443,605
	2,646,356		0	2,646,356
	1,732,739		0	1,732,739
	3,229,155		0	3,229,155
	192,816		0	192,816
	768,097		310,750	1,078,847
	106,776		0	106,776
	824,118		(824,118)	0
	37,844,250		(271,645)	37,572,605
	6,430,692		384,806	6,815,498
	150,019,369		41,473,489	191,492,858
\$	156,450,061	\$	41,858,295	\$ 198,308,356



STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 6,421,839	\$ 1,376,749	\$ 1	\$ 2,000
Public Safety	20,300,709	1,328,369	466,469	259,503
Physical Environment	1,363,049	12,400	106	0
Transportation	4,171,173	122,201	368,293	2,734,457
Economic Environment	3,404,605	1,027,812	634,649	0
Culture & Recreation	3,887,871	693,857	56,061	65,000
Interest on Long-Term Debt	1,012,239	0	0	0
TOTAL GOVERNMENTAL ACTIVITIES	\$ 40,561,485	\$ 4,561,388	\$ 1,525,579	\$ 3,060,960
BUSINESS-TYPE ACTIVITIES:				
Water/Sewer Utility	\$ 7,105,020	\$ 7,604,711	\$ 0	\$ 218,519
Foster Golf Course	1,751,709	1,434,933	0	0
Surface Water Utility	1,685,663	1,839,760	0	100,920
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 10,542,392	\$ 10,879,404	\$ 0	\$ 319,439

General Revenues:

Property Taxes
 Retail Sales and Use Taxes
 Natural Gas Use Tax
 Hotel/Motel Taxes
 Utility Taxes
 Business Taxes
 Excise Taxes
 State Entitlements, Impact Fees, In-Lieu Taxes
 Unrestricted Investment Earnings
 Gain on Sale of Capital Assets
 Transfers
 Total General Revenues and Transfers
 Change in Net Assets
 Net Assets Beginning of Year
 Net Assets End of Year

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

NET (EXPENSES) REVENUE AND CHANGES IN NET ASSETS

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ (5,043,089)	\$ 0	\$ (5,043,089)
(18,246,368)	0	(18,246,368)
(1,350,543)	0	(1,350,543)
(946,222)	0	(946,222)
(1,742,144)	0	(1,742,144)
(3,072,953)	0	(3,072,953)
(1,012,239)	0	(1,012,239)
\$ (31,413,558)	\$ 0	\$ (31,413,558)
\$ 0	\$ 718,210	\$ 718,210
0	(316,776)	(316,776)
0	255,017	255,017
\$ 0	\$ 656,451	\$ 656,451
\$ 10,631,036	\$ 0	\$ 10,631,036
16,887,846	241,723	17,129,569
381,706	0	381,706
443,605	0	443,605
2,646,356	0	2,646,356
1,732,739	0	1,732,739
3,229,155	0	3,229,155
192,816	0	192,816
768,097	310,750	1,078,847
106,776	0	106,776
824,118	(824,118)	0
37,844,250	(271,645)	37,572,605
6,430,692	384,806	6,815,498
150,019,369	41,473,489	191,492,858
\$ 156,450,061	\$ 41,858,295	\$ 198,308,356



City of Tukwila

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BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2005

DESCRIPTION	GENERAL FUND	HOTEL/MOTEL TAX	ARTERIAL STREET	OTHER GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 95,273	\$ 28,534	\$ 94,931	\$ 880,989
Deposit with Fiscal Agent/Trustee	6,771	0	0	0
Investments	6,410,284	530,312	3,012,212	7,283,257
Receivables:				
Taxes	2,430,481	0	686,434	641,596
Customer Accounts	134,987	0	9,420	0
Interest on Investments	48,084	4,184	22,083	27,875
Interfund Loans Receivable	544,440	0	705,560	0
Due From Other Governmental Units	163,685	171,046	671,320	10,995
TOTAL ASSETS	\$ 9,834,005	\$ 734,076	\$ 5,201,960	\$ 8,844,712
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	9,262	0	0	40,014
Interfund Loans Payable	0	1,250,000	0	0
Due To Other Governmental Units	66,763	0	0	0
Revenues Collected in Advance	75,200	0	0	0
Other Current Liabilities	279,866	0	105,202	13,780
Deferred Revenues	437,120	0	9,420	3,659
Total Liabilities	868,211	1,250,000	114,622	57,453
Fund Balances:				
Reserved for:				
Imprest Funds	13,250	0	0	0
Loans Receivable	544,440	0	705,560	0
Unreserved, Designated for:				
Unknown Contingent Liabilities	2,816,822	0	0	0
Unreserved, Undesignated Reported in:				
General Fund	5,591,282	0	0	0
Special Revenue Funds	0	(515,924)	4,381,778	1,804,067
Debt Service Funds	0	0	0	1,305,239
Capital Projects Funds	0	0	0	5,677,953
Total Fund Balances	8,965,794	(515,924)	5,087,338	8,787,259
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,834,005	\$ 734,076	\$ 5,201,960	\$ 8,844,712

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

**RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
December 31, 2005**

TOTAL GOVERNMENTAL FUNDS			
	Fund Balances - Total Governmental Funds		\$ 22,324,467
	Amounts reported for governmental activities in the statement of net assets are different because:		
\$ 1,099,727	The purchases method is used in Governmental Funds to account for Materials and Supplies - Inventory amount outstanding.		1,488,300
6,771			
17,236,065			
3,758,511	Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
144,407	Non-Depreciable Assets	\$ 42,331,949	
102,226	Depreciable Assets (net)	<u>105,390,564</u>	
1,250,000			147,722,513
1,017,046			
<u>\$ 24,614,753</u>	The net pension asset resulting from contributions in excess of the annual required contribution in 2005 are not financial resources and therefore are not reported in the funds.		111,642
49,276	Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds. Investment interest accrued beyond the City's 60 day measurable and available period.		19,256
1,250,000			
66,763			
75,200			
398,848	The City has an equity interest in a joint venture. This equity interest for the provision of governmental services is not a current financial resource and therefore is not reported in the funds.		2,398,848
450,199			
<u>2,290,286</u>			
13,250	The focus of governmental funds is on short-term financing, assets are offset by deferred revenue and not included in fund balances.		334,903
1,250,000	Deferred Revenue		
2,816,822	Long-term liabilities, including bonds payable, related accounts and interest are not due and payable in the current period and therefore are not reported in the governmental funds. The details of these differences are as follows:		
5,591,282	Bonds Payable	\$ (19,740,500)	
5,669,921	Add: Deferred charge on refunding (to be amortized over life of debt)	61,139	
1,305,239	Add: Deferred charge for issuance costs (to be amortized over life of debt)	162,254	
5,677,953			
<u>22,324,467</u>			
<u>\$ 24,614,753</u>	Less: Issuance premium (to be amortized over life of debt)	(258,155)	
	Accrued Interest Payable	(79,492)	
	Compensated Absences	<u>(1,816,931)</u>	
			(21,671,685)
	Internal service funds are used by management to charge the costs of certain activities to individual funds.		
	The assets and liabilities of the internal service funds that are included in governmental activities in the Statement of Net Assets.		3,721,817
	Net Assets of Governmental Activities		<u>\$ 156,450,061</u>



STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005

DESCRIPTION	GENERAL FUND	HOTEL/MOTEL TAX	ARTERIAL STREET	OTHER GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 26,852,064	\$ 443,605	\$ 3,782,666	\$ 3,546,540
Licenses and Permits	1,002,683	0	0	0
Intergovernmental	2,334,340	482,363	2,174,264	681,843
Charges for Services	2,649,678	0	0	0
Fines and Forfeits	116,737	0	0	0
Investment Income	250,609	13,117	131,515	242,955
Miscellaneous	438,264	7,764	253,258	301,489
TOTAL REVENUES	33,644,375	946,849	6,341,703	4,772,827
EXPENDITURES				
Current:				
General Government	6,136,540	0	0	0
Public Safety	18,859,476	0	0	744,675
Physical Environment	624,041	0	0	164,064
Transportation	1,442,309	0	107,695	155,688
Economic Environment	2,632,575	752,353	0	0
Culture and Recreation	3,274,273	0	0	84,310
Debt Service:				
Principal	0	0	0	851,000
Interest	0	39,610	0	993,864
Capital Outlay	215,696	0	6,669,833	458,797
TOTAL EXPENDITURES	33,184,910	791,963	6,777,528	3,452,398
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	459,465	154,886	(435,825)	1,320,429
OTHER FINANCING SOURCES (USES)				
Transfers In	0	0	0	150,000
Transfers (Out)	(585,000)	0	(270,000)	(450,000)
Sale of Capital Assets	0	0	35,600	0
TOTAL OTHER FINANCING SOURCES AND (USES)	(585,000)	0	(234,400)	(300,000)
Net Change in Fund Balances	(125,535)	154,886	(670,225)	1,020,429
Fund Balances Beginning of Year	9,091,329	(670,810)	5,757,563	7,766,830
FUND BALANCES END OF YEAR	\$ 8,965,794	\$ (515,924)	\$ 5,087,338	\$ 8,787,259

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2005	
TOTAL GOVERNMENTAL FUNDS	
Net change in Fund Balances - total governmental funds	\$ 379,555
\$ 34,624,875	Amounts reported for governmental activities in the statement of activities are different because:
1,002,683	Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:
5,672,810	Capital Outlay \$ 7,344,326
2,649,678	Donations of Capital Assets 2,312,246
116,737	Depreciation Expense (3,658,215)
638,196	Excess of Capital Outlay and Donations Over Depreciation Expense 5,998,357
1,000,775	
45,705,754	
6,136,540	The net pension asset (negative net pension obligation) amortization amount in 2005 is not a financial resource and therefore not reported in the funds. 35,119
19,604,151	
788,105	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Change in investment interest receivable due beyond the City's 60 day measurable and available period. 4,550
1,705,692	
3,384,928	The City has an equity interest in a joint venture. This equity interest for the provision of governmental services is not a current financial resource and therefore is not reported in the funds. (347,684)
3,358,583	
851,000	Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of: 851,000
1,033,474	Bond Principal Retirement
7,344,326	
44,206,799	Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. 175,488
1,498,955	
150,000	Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues in the government funds. Deferred revenues decreased by this amount this year. (46,156)
(1,305,000)	
35,600	Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:
(1,119,400)	Net Decrease in Materials and Supplies \$ (520,000)
379,555	Net Decrease in Accrued Interest 3,198
21,944,912	Increase in Compensated Absences (108,199)
\$ 22,324,467	Amortization of deferred charge on refunding (7,642)
	Amortization of issuance costs (12,573)
	Amortization of bond premiums 25,679
	Total Additional Expense (Increase) Decrease (619,537)
	Change in Net Assets of Governmental Activities \$ 6,430,692



City of Tukwila

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GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2005

DESCRIPTION	BUDGETED AMOUNTS		ACTUAL AMOUNTS	Variance with Final Budget - Positive (Negative)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 26,500,000	\$ 26,820,000	\$ 26,852,064	\$ 32,064
Licenses and Permits	912,000	962,000	1,002,683	40,683
Intergovernmental	2,406,288	2,406,288	2,334,340	(71,948)
Charges for Services	2,606,000	2,606,000	2,649,678	43,678
Fines and Forfeits	182,000	182,000	116,737	(65,263)
Investment Income	100,000	100,000	250,609	150,609
Miscellaneous	431,000	431,000	438,264	7,264
TOTAL REVENUES	33,137,288	33,507,288	33,644,375	137,087
EXPENDITURES				
Current:				
General Government	6,512,802	6,512,802	6,136,540	376,262
Public Safety	18,814,896	18,814,896	18,859,476	(44,580)
Physical Environment	1,936,288	1,936,288	624,041	1,312,247
Transportation	2,011,233	2,011,233	1,442,309	568,924
Economic Environment	3,022,553	3,022,553	2,632,575	389,978
Culture and Recreation	3,429,694	3,429,694	3,274,273	155,421
Capital Outlay	760,225	760,225	215,696	544,529
TOTAL EXPENDITURES	36,487,691	36,487,691	33,184,910	3,302,781
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,350,403)	(2,980,403)	459,465	3,439,868
OTHER FINANCING SOURCES (USES)				
Transfers (Out)	(215,000)	(585,000)	(585,000)	0
Sale of Capital Assets	5,000	5,000	0	(5,000)
TOTAL OTHER FINANCING SOURCES AND (USES)	(210,000)	(580,000)	(585,000)	(5,000)
Net Change in Fund Balance	(3,560,403)	(3,560,403)	(125,535)	3,434,868
FUND BALANCE BEGINNING OF YEAR	9,409,000	9,409,000	9,091,329	(317,671)
FUND BALANCE END OF YEAR	\$ 5,848,597	\$ 5,848,597	\$ 8,965,794	\$ 3,117,197

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.



City of Tukwila

Fund Financial Statements

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HOTEL/MOTEL TAX STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET (GAAP BASIS) AND ACTUAL For the Year Ended December 31, 2005

DESCRIPTION	BUDGETED AMOUNTS		ACTUAL AMOUNTS	Variance with Final Budget - Positive (Negative)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 375,000	\$ 375,000	\$ 443,605	\$ 68,605
Intergovernmental	464,000	464,000	482,363	18,363
Investment Income	8,000	8,000	13,117	5,117
Miscellaneous	5,000	5,000	7,764	2,764
TOTAL REVENUES	852,000	852,000	946,849	94,849
EXPENDITURES				
Current:				
Economic Environment	805,000	805,000	752,353	52,647
Debt Service:				
Interest	20,000	20,000	39,610	(19,610)
Capital Outlay	10,000	10,000	0	10,000
TOTAL EXPENDITURES	835,000	835,000	791,963	43,037
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	17,000	17,000	154,886	137,886
Net Change in Fund Balance	17,000	17,000	154,886	137,886
FUND BALANCE BEGINNING OF YEAR	552,000	552,000	(670,810)	(1,222,810)
FUND BALANCE END OF YEAR	\$ 569,000	\$ 569,000	\$ (515,924)	\$ (1,084,924)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.



City of Tukwila

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ARTERIAL STREET STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET (GAAP BASIS) AND ACTUAL For the Year Ended December 31, 2005

DESCRIPTION	BUDGETED AMOUNTS		ACTUAL AMOUNTS	Variance with Final Budget - Positive (Negative)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 3,525,000	\$ 3,525,000	\$ 3,782,666	\$ 257,666
Intergovernmental	8,072,000	8,072,000	2,174,264	(5,897,736)
Investment Income	75,000	75,000	131,515	56,515
Miscellaneous	525,000	525,000	253,258	(271,742)
TOTAL REVENUES	12,197,000	12,197,000	6,341,703	(5,855,297)
EXPENDITURES				
Current:				
Transportation	1,216,000	1,216,000	107,695	1,108,305
Capital Outlay	14,309,000	14,309,000	6,669,833	7,639,167
TOTAL EXPENDITURES	15,525,000	15,525,000	6,777,528	8,747,472
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,328,000)	(3,328,000)	(435,825)	2,892,175
OTHER FINANCING SOURCES (USES)				
Transfers (Out)	(270,000)	(270,000)	(270,000)	0
Sale of Capital Assets	0	0	35,600	35,600
TOTAL OTHER FINANCING SOURCES AND (USES)	(270,000)	(270,000)	(234,400)	35,600
Net Change in Fund Balance	(3,598,000)	(3,598,000)	(670,225)	2,927,775
FUND BALANCE BEGINNING OF YEAR	4,975,000	4,975,000	5,757,563	782,563
FUND BALANCE END OF YEAR	\$ 1,377,000	\$ 1,377,000	\$ 5,087,338	\$ 3,710,338

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.



**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
December 31, 2005**

DESCRIPTION	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	WATER/SEWER UTILITY	FOSTER GOLF COURSE	SURFACE WATER UTILITY	TOTAL	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 219,474	\$ 3,183	\$ 11,543	\$ 234,200	\$ 179,013
Investments	7,899,748	334,874	1,828,641	10,063,263	4,257,141
Receivables:					
Taxes	0	48,531	0	48,531	0
Customer Accounts	579,650	23,898	103,999	707,547	7,108
Interest on Investments	61,188	88	174	61,450	19,481
Due from Other Governmental Units	1,988	0	45,663	47,651	0
Inventory of Materials and Supplies	189,978	191,308	46,313	427,599	45,300
Current Assets Restricted:					
Cash and Cash Equivalents	35,770	47,936	0	83,706	0
Total Current Assets Restricted	35,770	47,936	0	83,706	0
Total Current Assets	8,987,796	649,818	2,036,333	11,673,947	4,508,043
Noncurrent Assets:					
Noncurrent Restricted Assets:					
Cash and Cash Equivalents	2,587	0	0	2,587	0
Investments	575,000	0	0	575,000	0
Total Noncurrent Restricted Assets	577,587	0	0	577,587	0
Notes Receivable	123,539	0	0	123,539	0
Deferred Charges	0	88,604	0	88,604	0
Capital Assets:					
Land	96,872	1,609,575	722,809	2,429,256	0
Buildings and Structure	2,075,303	6,617,674	386,438	9,079,415	0
Other Improvements	22,315,171	3,312,202	19,803,246	45,430,619	0
Machinery and Equipment	1,955,004	202,945	42,160	2,200,109	6,866,815
Construction in Progress	721,768	0	3,728,665	4,450,433	0
Less: Accumulated Depreciation	(10,536,340)	(2,019,850)	(7,990,125)	(20,546,315)	(4,580,789)
Total Capital Assets (Net of Accumulated Depreciation)	16,627,778	9,722,546	16,693,193	43,043,517	2,286,026
Plant Acquisition Adjustment (Net of Accumulated Amortization)	71,093	0	0	71,093	0
Total Noncurrent Assets	17,399,997	9,811,150	16,693,193	43,904,340	2,286,026
TOTAL ASSETS	26,387,793	10,460,968	18,729,526	55,578,287	6,794,069
LIABILITIES					
Current Liabilities:					
Due to Other Governmental Units	64,854	0	259,051	323,905	0
Accrued Interest Payable	83,053	16,645	15,326	115,024	0
General Obligation Bonds - Current	0	425,000	0	425,000	0
Other Current Liabilities	0	30,871	8,180	39,051	825,533
Current Liabilities Payable from Restricted Assets:					
Revenue Bond Principal	510,000	0	0	510,000	0
Deposits	35,770	47,936	0	83,706	0
Total Current Liabilities Payable from Restricted Assets	545,770	47,936	0	593,706	0
Total Current Liabilities	693,677	568,388	282,557	1,496,686	825,533
Noncurrent Liabilities:					
General Obligation Bonds Payable (Net of Unamortized Premiums)	0	4,580,564	0	4,580,564	0
Revenue Bonds Payable (Net of Unamortized Premiums and Discounts)	2,688,902	0	0	2,688,902	0
Compensated Absences	70,695	85,932	47,313	203,940	0
Other Long-Term Liabilities	1,124,014	77,947	3,463,332	4,665,293	0
Total Noncurrent Liabilities	3,883,611	4,744,443	3,510,645	12,138,699	0
TOTAL LIABILITIES	4,577,288	5,312,831	3,793,202	13,635,385	825,533
NET ASSETS					
Invested in Capital Assets, Net of Related Debt Restricted for:	13,197,607	4,805,586	13,367,619	31,370,812	2,286,026
Debt Service	577,587	0	0	577,587	0
Unrestricted	8,035,311	390,487	1,568,705	9,994,503	3,682,510
TOTAL NET ASSETS	\$ 21,810,505	\$ 5,196,073	\$ 14,936,324	\$ 41,942,902	\$ 5,968,536
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(84,607)	
Net assets of business-type activities				<u>\$ 41,858,295</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.



**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended December 31, 2005**

DESCRIPTION	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	WATER/SEWER UTILITY	FOSTER GOLF COURSE	SURFACE WATER UTILITY	TOTAL	
OPERATING REVENUES					
Charges for Services	\$ 7,604,133	\$ 1,184,282	\$ 1,830,664	\$ 10,619,079	\$ 5,634,585
Other Operating Revenues	578	250,651	9,096	260,325	17,092
TOTAL OPERATING REVENUES	7,604,711	1,434,933	1,839,760	10,879,404	5,651,677
OPERATING EXPENSES					
Operations and Maintenance	4,882,923	1,187,919	949,418	7,020,260	5,167,162
Administrative and General	1,048,963	9,996	285,996	1,344,955	151,992
Taxes	229,550	5,383	23,143	258,076	0
Depreciation/Amortization	704,709	320,922	391,906	1,417,537	576,742
TOTAL OPERATING EXPENSES	6,866,145	1,524,220	1,650,463	10,040,828	5,895,896
OPERATING INCOME (LOSS)	738,566	(89,287)	189,297	838,576	(244,219)
NON-OPERATING REVENUE (EXPENSE)					
Taxes	0	241,723	0	241,723	0
Investment Income	200,104	6,727	103,919	310,750	125,351
Interest Expense	(218,544)	(216,417)	(24,957)	(459,918)	0
Amortization of Debt Premium	8,206	1,845	0	10,051	0
Amortization of Debt Discount	(16,579)	0	0	(16,579)	0
Bond Issuance Costs	0	(4,945)	0	(4,945)	0
Gain (Loss) on Sale of Capital Assets	0	0	0	0	71,176
TOTAL NON-OPERATING REVENUE (EXPENSES)	(26,813)	28,933	78,962	81,082	196,527
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	711,753	(60,354)	268,259	919,658	(47,692)
Capital Contributions	218,519	0	100,920	319,439	78,314
Transfers In	0	370,000	720,000	1,090,000	114,693
Transfers (Out)	(43,128)	0	(1,870,990)	(1,914,118)	0
Change in Net Assets	887,144	309,646	(781,811)	414,979	145,315
Total Net Assets - Beginning	20,923,361	4,886,427	15,718,135		5,823,221
TOTAL NET ASSETS - ENDING	\$ 21,810,505	\$ 5,196,073	\$ 14,936,324		\$ 5,968,536

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in Net Assets of Business-type Activities

(30,173)

\$ 384,806

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.



City of Tukwila

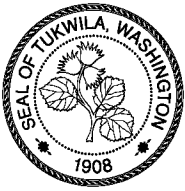
Fund Financial Statements

Page 1 of 1

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS For the Year Ended December 31, 2005

DESCRIPTION	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	WATER/SEWER UTILITY	FOSTER GOLF COURSE	SURFACE WATER UTILITY	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers and Users	\$ 7,651,767	\$ 1,193,299	\$ 1,812,862	\$ 10,657,928	\$ 0
Receipts from Interfund Services Provided	95,445	0	0	95,445	5,634,585
Cash Payments to Suppliers	(4,683,530)	(419,096)	(249,029)	(5,351,655)	(4,775,538)
Cash Payments to Employees and Retirees	(789,655)	(804,128)	(728,728)	(2,322,511)	(280,668)
Cash Payments for Interfund Services Used	(842,988)	(9,996)	(285,996)	(1,138,980)	(151,992)
Other Operating Receipts	578	250,651	6,688	257,917	17,092
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,431,617	210,730	555,797	2,198,144	443,479
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Principal Payments on Intergovernmental Loans	0	0	(7,368)	(7,368)	0
Interest Payments on Intergovernmental Loans	0	0	(2,211)	(2,211)	0
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	0	0	(9,579)	(9,579)	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Sales and Leasehold Excise Taxes Received	0	237,698		237,698	0
Proceeds from Intergovernmental Loans	0	0	2,123,028	2,123,028	0
Principal Payments on Intergovernmental Loans	(34,856)	0	(94,290)	(129,146)	0
Interest Payments on Intergovernmental Loans	(21,706)	0	(17,794)	(39,500)	0
Proceeds from Sales of Capital Assets	0	0	0	0	71,176
Acquisition and Construction of Capital Assets	(376,715)	(9,008)	(4,984,313)	(5,370,036)	(601,580)
Capital Contributions	151,606	0	0	151,606	0
Capital Transfers In From Other Funds	0	370,000	720,000	1,090,000	95,000
Capital Transfers Out To Other Funds	(30,000)	0	0	(30,000)	0
Principal Payments on Bonds/Leases	(485,000)	(429,787)	0	(914,787)	0
Interest Payments on Bonds/Leases	(203,578)	(217,514)	0	(421,092)	0
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,000,249)	(48,611)	(2,253,369)	(3,302,229)	(435,404)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from Sales and Maturities of Investments	2,650,000	215,000	10,460,874	13,325,874	730,000
Purchase of Investments	(3,157,236)	(375,000)	(8,850,000)	(12,382,236)	(815,000)
Interest on Investments	288,610	6,888	105,642	401,140	148,601
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(218,626)	(153,112)	1,716,516	1,344,778	63,601
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	212,742	9,007	9,365	231,114	71,676
CASH AND CASH EQUIVALENTS, JANUARY 1	45,089	42,112	2,178	89,379	107,337
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 257,831	\$ 51,119	\$ 11,543	\$ 320,493	\$ 179,013
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 738,566	\$ (89,287)	\$ 189,297	\$ 838,576	\$ (244,219)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation/Amortization	704,709	320,922	391,906	1,417,537	576,742
(Increase) Decrease in Accounts Receivable	29,281	(23,898)	(20,209)	(14,826)	(7,108)
(Increase) Decrease in Due from Other Governmental Units	(437)	0	0	(437)	0
(Increase) Decrease in Inventory	(5,017)	4,092	(1,394)	(2,319)	12,400
Increase (Decrease) in Accounts Payable	(53,606)	(11,004)	(6,928)	(71,538)	(17,465)
Increase (Decrease) in Due to Other Governmental Units	0	(3,701)	0	(3,701)	0
Increase (Decrease) in Other Current Liabilities	0	0	0	0	123,129
Increase (Decrease) in Customer Deposits	9,159	11,891	0	21,050	0
Increase (Decrease) in Accrued Employee Leave Benefits	8,962	1,715	3,125	13,802	0
Total Adjustments	693,051	300,017	366,500	1,359,568	687,698
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,431,617	\$ 210,730	\$ 555,797	\$ 2,198,144	\$ 443,479
NON CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:					
Capital Assets Acquired by Capital Lease	\$ 0	\$ 128,605	\$ 0	\$ 128,605	\$ 0
Capital Assets Contributed From Other Funds	0	0	0	0	78,314
Capital Assets Contributed to Other Funds	(13,128)	0	(1,870,990)	(1,884,118)	
Capital Assets Transfers In From Other Funds	0	0	0	0	19,693
Capital Assets Contributed by Developers	110,543	0	100,920	211,463	0
Change in Fair Value of Investments	(130,698)	249	(16,499)	(146,948)	(58,288)

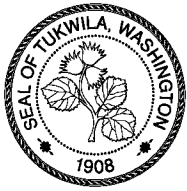
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.



**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
December 31, 2005**

DESCRIPTION	FIREMEN'S PENSION TRUST FUND
ASSETS	
Cash and Cash Equivalents	\$ 36,625
Investments, at Fair Value:	
Washington State Pool	41,000
Federal Home Loan Bank	684,031
Federal National Mortgage Association	499,844
Interest on Investments	15,504
TOTAL ASSETS	1,277,004
NET ASSETS	
Held in Trust for Pension Benefits and Other Purposes	\$ 1,277,004

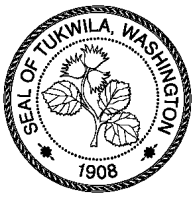
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.



STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Year Ended December 31, 2005

DESCRIPTION	FIREMEN'S PENSION TRUST FUND
ADDITIONS	
Contributions:	
Fire Insurance Premiums	\$ 40,983
Investment Income:	
Interest	26,771
Total Additions	67,754
DEDUCTIONS	
Benefit Payments	44,095
Administrative Expenses	11,250
Total Deductions	55,345
Change in Net Assets	12,409
Net Assets - Beginning	1,264,595
Net Assets - Ending	\$ 1,277,004

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.



City of Tukwila

Notes to the Financial Statements

CITY OF TUKWILA NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tukwila was incorporated on June 29, 1908, and operates under the laws of the State of Washington applicable to a noncharter optional code city with a Mayor/Council form of government. Tukwila is served by a mayor and seven council members, all elected at large to four-year terms. The City provides what are considered general government services including public safety, streets, parks, planning and zoning, permits and inspection, general administrative, water services, sanitary sewer collection, and storm drainage.

The accounting and reporting policies of the City of Tukwila, which conform to generally accepted accounting principles for governments, are regulated by the Washington State Auditor's Office. The City's significant accounting policies are described in this note.

For business-type activities and enterprise funds reporting the City applies all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

A. The Reporting Entity

Based on the criteria of Statement No. 14 of the Governmental Accounting Standards Board (GASB), the City's Comprehensive Annual Financial Report (CAFR) includes all funds, agencies and boards for which the City is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either the ability to impose will by the primary government, or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

There were no component units meeting any of these criteria during 2005. See NOTE 7 - JOINT VENTURES for discussion of the Valley Communications Center which is a joint public safety dispatching authority for five member cities. Also, see NOTE 14 - RISK MANAGEMENT for discussion of the Washington Cities Insurance Authority.

B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the government, except for fiduciary funds. The activity of the internal service funds is eliminated to avoid "doubling up" revenues and expenses.

The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program activity of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Indirect costs are included in the program expense reported for individual functions and activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, and certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the propriety fund statements. Fiduciary funds are reported by type.

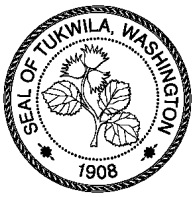
C. Fund Accounting

The accounts of the City are organized on the basis of funds each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The City's resources are allocated to and accounted for in individual funds according to the purpose for which they are spent and how they are controlled. There are three categories of funds: *governmental*, *proprietary* and *fiduciary*.

Governmental Funds

All governmental funds are accounted for on a "flow of current financial resources" measurement focus. This means that only current assets and current liabilities are generally included on their balances sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements focus on measuring changes in financial position, rather than net income; they present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. The following are the City's major governmental funds:

- 1) The General Fund is the general operating fund of the City. It accounts for all financial resources and transactions except those required to be accounted for in another fund.
- 2) The Hotel/Motel Tax Fund became effective March 1, 1998. This revenue is a 1% room tax on lodging in the City. Proceeds are designated for tourism and marketing efforts. Also, culture and recreation activities are allowed.



City of Tukwila

Notes to the Financial Statements

3) The Arterial Street Fund is established in accordance with RCW 82.36.020 for the administration of the State-levied motor vehicle half-cent gasoline tax distributed to Tukwila. The City provides a portion of its sales tax revenues as well as several smaller tax resources for construction of large arterial street projects.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

Proprietary Funds are accounted for on a “flow of economic resources” measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund operating statements present increases (revenues and gains) and decreases (expenses and losses) in net total assets. Proprietary funds measurement focus is based upon determination of net income, financial position and cash flows.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise and internal service funds are charges to the City’s customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. As described below, there are two generic fund types in this category.

Restricted assets shown in the government-wide financial statements and the proprietary funds balance sheet include monies reserved for payment of revenue bond debt, and deposits held for utility and golf course customer accounts. When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

The City’s Enterprise Funds account for utility and recreation operations which are self-supported through user charges. The utilities are financed and operated like a private business enterprise which requires periodic determination of revenues earned, expenses incurred, and net income for capital maintenance, public policy, management control and accountability.

The City’s major enterprise funds are as follows:

- 1) The Water/Sewer Utility Fund accounts for operations and capital improvements to provide water and sanitary sewer services to the City.
- 2) The Foster Golf Course Fund is used to account for the operation, maintenance, debt service, and improvements of the municipal facility.
- 3) The Surface Water Utility Fund accounts for the operations and capital improvements for the City’s storm drainage and surface water management function.

The City has three Internal Service Funds. The Equipment Rental Fund is used to account for the costs of maintaining and replacing all City vehicles and auxiliary equipment except for major fire apparatus. All equipment costs, including depreciation, are factors in calculating the rates for which are charged to each user department. The Insurance and Insurance – LEOFF I Funds are used to account for the costs of the City’s self-insured medical plan. Medical and dental costs for covered

employees are charged to the respective user departments. All premiums, medical and dental costs and ancillary charges are included.

Fiduciary Funds

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The City's only Fiduciary Fund is a Pension Trust Fund.

The Firemen's Pension Trust Fund is accounted for in essentially the same manner as Proprietary Funds.

D. Measurement Focus

Government-wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the Statement of Net Assets.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the government activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

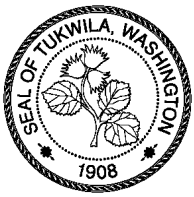
Trust funds are reported using the economic resources measurement focus.

E. Basis of Accounting

Basis of accounting refers to the recognition of revenues and expenditures or expenses in the accounts and reporting them in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. The modified accrual basis of accounting is followed in all governmental funds of the City. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means



City of Tukwila

Notes to the Financial Statements

collectible within the current period or soon enough thereafter to pay current liabilities. For the City, available means expected to be received within sixty (60) days of year-end. The primary accrued revenues that meet this criteria are property and sales taxes.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, sales and use taxes, admission taxes, gambling taxes, utility taxes, hotel/motel taxes, grants, entitlements, and donations. These revenues are on an accrual basis. On the accrual basis, the revenue is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 4 on receivables).

Other Revenue Sources

Revenue sources which are not considered to meet the measurable and available criteria for revenue recognition include licenses and permits, fines and forfeitures, and other miscellaneous revenues since they are generally not measurable until received.

Under the modified accrual basis, expenditures are recorded when the fund liability is incurred, except for principal and interest on general long-term debt and vacation and sick pay which are recorded when paid.

As a general rule the effect of interfund activity has been eliminated via the process of consolidation from the government-wide financial statements. Internal service fund and similar internal activity has been eliminated from the government-wide statement of activities so that expenses are not reported twice. Exceptions to this general rule are payments for interfund services provided and used, such as between the City's water, sewer, and surface water functions and various other functions of the City, which are not eliminated in the process of consolidation. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Amounts reported on the government-wide statements as program revenues include, charges to customers or applicants for goods, operating grants and contributions, and capital grants and contributions. General revenues includes all taxes. The accrual basis of accounting is followed in all proprietary funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. All assets and liabilities are recorded in the fund.

F. Budgets and Budgetary Accounting

The City of Tukwila budgets its funds in accordance with the Revised Code of Washington 35A.33. In compliance with the code, annual appropriated budgets are adopted for the general, special revenue, debt service and capital projects funds. For governmental funds, there are no substantial differences between the budgetary basis and generally accepted accounting principles. Budgetary accounts are integrated in fund ledgers for all budgeted funds, but the financial statements include budgetary comparisons for annually budgeted governmental funds only. Budgets established for proprietary and trust funds are "management budgets" and are not legally required to be reported and, as such, are not reported in the CAFR.

Annual appropriated budgets are adopted at the level of the fund and the budgets constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure records are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class. Annual appropriations for all funds lapse at year end.

The City of Tukwila's budget procedures are mandated by RCW 35A.33. The steps in the budget process are as follows:

- 1) Prior to November 1, the Mayor submits a proposed budget to the City Council. This budget is based on priorities established by the Council and estimates provided by the City departments during the proceeding months, and balanced with revenue estimates made by the Mayor.
- 2) The City Council conducts public hearings on the proposed budget in November and December.
- 3) The Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced budget no later than December 31.
- 4) The final operating budget as adopted is published and distributed within the first month of the following year. Copies of the budget are made available to the public.

The Mayor may authorize transfers within funds; however, the City Council must approve by ordinance any amendments that increase the total for the fund. The budget was amended once during 2005. Budget amounts presented in the basic financial statements include both the original amounts and the final amended budget as approved by the City Council.

Expenditure Categories

General Government - includes administration, finance, municipal court, attorney, and city clerk activities.

Public Safety - includes all police and fire activities.

Physical Environment - includes expenditures for the public works activities not chargeable to the enterprise funds.

Transportation - includes all street and arterial street maintenance and construction.

Economic Environment - reflects the planning and building inspection activities.

Culture and Recreation - includes the parks and recreation activities.

Interest on Long-term Debt

G. Assets, Liabilities and Fund Equity

Cash and Cash Equivalents

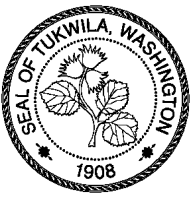
All cash and cash equivalents, restricted and unrestricted, consists of cash balances in our checking account and our imprest funds. All funds in the care of other institutions are considered investments.

Investments

Investments are held separately by each of the funds with interest earned directly for the benefit of each fund. Investments are reported on the financial statements at fair value, cost or amortized cost, depending on the type and maturity length of each investment as required by GASB Statement 31. Washington State statutes provide for the City to hold investments consisting of obligations of the Federal Government, repurchase agreements, prime banker's acceptances, time certificates of deposit, and the State Treasurer's Local Government Investment Pool. Additional deposit and investment information is presented in Note 3.

Notes Receivable

Notes Receivable in the Enterprise Funds consists of sewer connection fees due from customers to the Utility.



City of Tukwila

Notes to the Financial Statements

Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund loans receivable/payable” or “advances to/from other funds.” All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Interfund loans and advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. *See also Notes 5 and 11.*

Inventories

Inventories carried in Proprietary Funds are valued at average cost using the consumption method. A physical count is taken at year-end. Governmental Funds use the purchase method whereby inventory items are considered expenditures when purchased. For governmental activities, inventories are recorded using the consumption method.

Deferred Charges

Those unamortized debt issuance costs incurred for the issuance of long-term debt, such as legal fees, printing costs and other costs related to the two 2003 General Obligation Bond issues. These costs are deferred and amortized over the lives of the related issues.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets acquired in governmental funds are accounted for as expenditures in the fund when the asset is purchased. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated assets are valued at estimated fair market value at time of acquisition. Where historical cost is not known, assets are recorded at estimated historical costs. The City maintains a capitalization threshold of five thousand dollars. The City’s infrastructure consists of roads, bridges, storm sewers, water and sewer distribution and collection systems. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

Depreciation is computed using the straight line method over estimated service lives, as follows:

<u>ASSET</u>	<u>ESTIMATED SERVICE LIFE</u>
Buildings.....	25 to 50 years
Non-Building Improvements.....	25 to 50 years
Utility Plant.....	10 to 50 years
Machinery and Equipment	2 to 50 years
Infrastructure	25 to 50 years

See Note 6 for additional information.

Plant Acquisition Adjustments

The State Auditor's Office promulgates a chart of accounts which defines Plant Acquisition Adjustments as an intangible asset account used only in proprietary fund utilities. This account includes the difference between the cost to the current governmental owner and the cost incurred by the person or company that first devoted the property to utility service. These costs are being amortized using the straight-line method over the estimated service lives of the related capital assets.

Compensated Absences

Labor contracts with City of Tukwila employees call for the accumulation of vacation and sick leave. At termination of employment, employees with the required length of service may receive cash payments for all accumulated vacation leave to a maximum of 384 hours. Sick leave termination benefits are based on a percentage of accumulated sick leave up to a maximum of 180 hours. The payment is based on current wages at termination.

The entire compensated absence liability is reported on the government-wide financial statements. In the enterprise funds, the entire amount of compensated absences is reported as a fund liability. This reporting format is in compliance with GASB Statement No. 16.

The Internal Service Funds do not report benefit accruals because they are immaterial.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

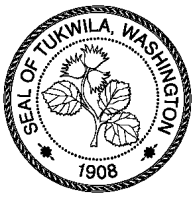
In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Long-term debt outstanding at year-end is outlined in Note 10.

Fund Equity - Reserves and Designations

The City recognizes in its reporting that assets are sometimes not "available spendable resources" or not at times legally available for appropriation, because they are contractually or legally restricted for some specific future use. When this is the case, as for example with imprest funds, fund equity is "reserved". Designations are set aside portions of fund equity by management for future plans or administrative convenience.

Risk Management and Risk Retention

It is the City of Tukwila's policy to self-insure for unemployment benefits because of the insignificant liability. Medical and dental self-insurance coverage is also provided for employees. All buildings, City equipment, and City vehicles are insured by carriers for property coverage at replacement value.



City of Tukwila

Notes to the Financial Statements

The City of Tukwila is a member of the Washington Cities Insurance Authority (WCIA) as of January 1, 1984. The WCIA is an organization of Washington municipal entities numbering 115 as of December 31, 2005. WCIA provides pooled self-insurance coverage for general liability, vehicle liability, false arrest, and errors and omissions. See Note 14 for additional information.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations in any of the funds of the City of Tukwila.

Deficit Fund Equity:

As of December 31, 2005, there was a deficit fund balance of \$(515,924) in the Hotel/Motel Tax Fund. This was due to issuance and retirement of a Bond Anticipation Note originally for a land purchase and retired by the issuance and receipt of interfund loan proceeds in early 2003. See also Note 5.

NOTE 3 – EQUITY IN POOLED CASH AND INVESTMENTS, CASH, DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool available for use by all funds. Interest earned on pooled investments is recorded in the participating funds. Investments are also held separately by several of the funds, with interest earned directly for the benefit of each fund.

Cash and Cash Equivalents

At year-end, the carrying amount of the City's cash and the bank book balance was \$1,621,308. Of the bank balance, \$100,000 was covered by Federal depository insurance and the Washington State Public Depository Protection Commission insured the remainder. The City also maintains imprest funds totaling \$14,550.

Deposits and Investments

In addition to the types of investments discussed in Note 1, the City participates in the State Treasurer's Investment Pool, which is a 2a7-like unrated pool, overseen by the State Treasurer's Office. The fair value of the City's position in the pool is the same as the value of the pool shares. The City's investment portfolio includes Federal Home Loan Bank (FHLB) bonds, Federal National Mortgage Association (FNMA) notes, and Federal Home Loan Mortgage Corporation (FHLMC) notes. These investments are reported at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Also, the Firemen's Pension Fund is authorized to invest in stocks, bonds, and mutual funds.

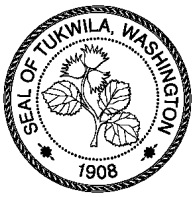
The deposits include Fiscal Agent deposits, which are entirely covered by Federal Deposit Insurance Corporation (FDIC) or insured by collateral held in a multiple financial institution collateral pool administered by the Washington State Public Depository Protection Commission (PDPC).

At December 31, 2005, the City had the following investments:

	Call Date	Maturity Date	Credit Ratings	Reported Amount/ Fair Value
FHLMC Notes	09/29/05	09/29/06	AAA/Aaa	\$ 987,203
FHLB Bonds	12/29/04	12/26/06	AAA/Aaa	2,951,250
FHLB Bonds	N/A	01/16/07	AAA/Aaa	643,297
FNMA Notes	07/26/05	01/26/07	AAA/Aaa	4,921,875
FHLB Bonds	N/A	02/22/07	AAA/Aaa	649,776
FHLB Bonds	N/A	03/01/07	AAA/Aaa	999,240
FHLB Bonds	N/A	07/27/07	AAA/Aaa	999,005
FHLB Bonds	10/22/04	10/22/07	AAA/Aaa	4,885,937
FHLB Bonds	N/A	11/23/07	AAA/Aaa	1,000,000
FNMA Notes	07/21/06	07/21/08	AAA/Aaa	3,998,750
Total				\$ 22,036,333
State Treasurer's Investment Pool	N/A	Daily Basis	Unrated	11,320,011
Total Investments				<u>\$ 33,356,344</u>

RECONCILIATION OF ALL CASH, DEPOSITS, AND INVESTMENTS

		<u>Carrying Amount</u>
From Statements of Net Assets:		
Cash and Cash Equivalents		\$ 1,549,565
Deposits with Fiscal Agent/Trustee		6,771
Investments		32,781,344
Restricted Assets:		
Cash and Cash Equivalents	\$ 86,293	
Investments	<u>575,000</u>	<u>661,293</u>
Total All Cash, Deposits, and Investments from Statements of Net Assets		<u>\$ 34,998,973</u>
		<u>Carrying Amount</u>
Summary by Type:		
Cash and Cash Equivalents		
Cash in Bank (bank balance)	\$ 1,621,308	
Cash on Hand	<u>14,550</u>	\$ 1,635,858
Deposits with Fiscal Agent/Trustee		6,771
Investments		
Investment in State Treasurer's		
Investment Pool	\$ 11,320,011	
FHLB Bonds	12,128,505	
FNMA Notes	8,920,625	
FHLMC Notes	987,203	<u>33,356,344</u>
Total All Cash, Deposits, and Investments		<u>\$ 34,998,973</u>



City of Tukwila

Notes to the Financial Statements

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits at least half of the City's investment portfolio to maturities of less than one year. The City assumes that its callable investments will not be called. Investment maturities are limited as follows:

- 1) At the time of investment, a minimum of fifty percent (50%) of the portfolio will be comprised of investments maturing or available within one year.
- 2) At the time of investment, no securities or investment instruments shall have a maturity exceeding four years, except when compatible with a specific fund's investment needs.
- 3) The average maturity of the portfolio shall not exceed two (2) years.

Credit Risk. State statutes and the City's investment policy limit the types of securities authorized for investment by the City. The principal governing statutes are RCW 39.59 and RCW 39.60. The Finance Director may further restrict eligible investments by this policy at his/her discretion. Authorized investments include (but are not limited to):

- 1) U.S. Treasury Securities.
- 2) U.S. Agency Securities (i.e., obligations of any government-sponsored corporation eligible for collateral purposes at the Federal Reserve).
- 3) Certificates of Deposit, Money Market Deposit Accounts and savings deposits with qualified depositories within statutory limits as promulgated by the PDPC at the time of investment.
- 4) Bankers Acceptances (BA's) purchased on the secondary market with a rating of A-1, P-1, its equivalent or better.
- 5) General Obligation Bonds of a state or local government which have at the time of the investment one of the three highest credit ratings of a nationally-recognized rating agency.
- 6) The Washington State Local Government Investment Pool (LGIP).

As of December 31, 2005, the City's Federal Home Loan Bank bond investments, Federal National Mortgage Association note investments, and Federal Home Loan Mortgage Corporation note investments were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Concentration of Credit Risk. The City of Tukwila diversifies its investments by security type and Institution as described below:

- 1) No more than fifty percent (50%) of the City's portfolio, at the time of purchase, shall be in any single financial institution.
- 2) Except, that no more than seventy-five percent (75%) of the City's portfolio, at the time of purchase, shall be invested in the Washington State Local Government Investment Pool, and
- 3) No more than seventy-five percent (75%) of the City's portfolio, at the time of purchase, shall be invested in U.S. Treasury or Agency securities.

More than 5 percent of the City's investments are in Federal Home Loan Bank bonds, Federal National Mortgage Association notes, and Federal Home Loan Mortgage Corporation notes. These investments are 36.36%, 26.74%, and 2.96% respectively, of the City's total investments.

NOTE 4 – RECEIVABLES***Property Taxes Receivable***

The County Finance Director acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually on January 1 on property value listed as of the prior August 31.

Assessed values are established by the County Assessor at 100% of fair market value. A revaluation of all property is required every two years.

Property taxes levied by the County Assessor and collected by the County Finance Director become a lien on the first day of the levy year and may be paid in two equal installments if the total amount exceeds \$50. The first half of real property taxes is due on April 30 and the balance is due October 31. Delinquent taxes bear interest at the rate of 12% and are subject to additional penalties if not paid as scheduled.

During the year, property tax revenues are recognized when cash is received. At year-end, unpaid property taxes are recorded as a receivable. Property tax receivables at year-end normally are not expected to be collected within 60 days after the current period and are, therefore, reported as deferred revenue in the governmental funds financial statements. The tax rate for general City operations is limited to \$3.60 per \$1,000 of assessed value. Of this amount, up to \$.45 per thousand may be designated for contribution to the Firemen's Pension Fund, if a report by a qualified actuary indicates that additional funds are required.

The payment of principal and interest on Limited Tax (non-voted) Bonds issued by the City is made from the general levy. Accordingly, the issuance of Limited Tax General Obligation Bonds has the effect of reducing property taxes available for the general operations of City government. State law also provides that the City's operating levy may not exceed 101% of the largest single levy of the past three years. The State Constitution provides that the total of all taxes upon real and personal property by the State and all taxing entities, including the City, shall not in any year exceed 1% (\$10 per \$1,000) of the true and fair monetary value of such property. This limitation may be exceeded upon the approval of 60% of the City voters at an election in which the total vote exceeds 40% of the votes cast at the last general election.

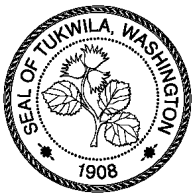
For 2005, the City's general tax levy was \$3.11712 per each \$1,000 of assessed valuation. Total assessed valuation was \$3,610,558,767 and was the basis for the 2005 assessments.

Actual 2005 property taxes collected were as follows:

ITEM	PROPERTY TAXES
General Levy	\$ 10,627,410

Intergovernmental Grants and Entitlements

All receivables from other governments are recorded at year-end as amounts Due from Other Governmental Units. These amounts represent Federal, State and local reimbursement-type grants, and are reported as receivables and intergovernmental revenues in the year when the related expenditures are incurred.



City of Tukwila

Notes to the Financial Statements

NOTE 5 – INTERFUND TRANSACTIONS

Interfund transactions are classified as follows:

- 1) **Services Provided** – Transactions that would be treated as revenues, expenditures or expenses if they involve external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City of Tukwila.
- 2) **Transfers** – Transactions to support the operations of other funds are recorded as “Transfers” and classified with “Other Financing Sources or Uses” in the fund statements. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the Government-wide financial statements.
- 3) **Contributions** – Contributions to the capital of enterprise or internal service funds, transfers of capital assets between proprietary and governmental funds, transfers to establish or reduce working capital in other funds, and transfers of remaining balances when funds are closed are classified non-operating revenue.
- 4) **Interfund Loans/Advances** – Loans between funds are classified as interfund loans receivable and payable or as advances to and from other funds in the fund statements. Interfund loans are offset by a reservation of fund equity. Interfund loans are subject to elimination upon consolidation.

In 2003, the City of Tukwila authorized and issued interfund loans of \$1,350,000 from the General and Arterial Street Funds to the Hotel/Motel Tax Fund for the repayment of a \$1,450,000 note for the purchase of land by the Hotel/Motel Tax Fund to Key Bank as authorized by the City Council through Resolution No. 1516.

The following table is a reconciliation of \$1,250,000 in interfund loans at December 31, 2005 of which \$100,000 is current and \$1,150,000 is long-term:

Interfund Loans Receivable:	Interfund Loans Payable: Hotel/Motel Tax Fund
General Fund	\$ 544,440
Arterial Street Fund	705,560
Total Interfund Loans	<u>\$ 1,250,000</u>

Interfund transfers at December 31, 2005 were as follows:

Transfer In:	Transfer Out:					
	General Fund	Arterial Street Fund	Nonmajor Gov't Funds	Water/Sewer Utility Fund	Surface Water Utility Fund	Total
Nonmajor Gov't Funds	\$ 150,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 150,000
Foster Golf Course	370,000	0	0	0	0	370,000
Surface Water Utility Fund	0	270,000	450,000	0	0	720,000
Internal Service Funds	65,000	0	0	43,128	6,565	114,693
Sub-total Transfers	\$ 585,000	\$ 270,000	\$ 450,000	\$ 43,128	\$ 6,565	\$ 1,354,693
* - Note	0	0	0	0	1,864,425	1,864,425
Total Transfers	\$ 585,000	\$ 270,000	\$ 450,000	\$ 43,128	\$ 1,870,990	\$ 3,219,118

* Note: Transfers in do not equal transfers out at the fund level due to a \$1,864,425 donation of capital assets from the Surface Water Utility Fund to the General Government, which is reported as a one-sided transfer out. However, this transaction is reported as a transfer on both sides in the Government-Wide Statement of Activities where transfers in and transfers out continue to balance.

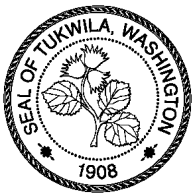
The principal purposes for interfund transfers include interfund subsidies and transfers into debt service and capital projects funds.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005, was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 35,480,519	\$ 121,298	\$ 0	\$ 35,601,817
Construction in Progress	10,626,609	5,839,195	(9,735,672)	6,730,132
Total capital assets, not being depreciated	46,107,128	5,960,493	(9,735,672)	42,331,949
Capital assets, being depreciated:				
Buildings	22,238,132	273,343	0	22,511,475
Other Improvements	10,192,593	471,170	0	10,663,763
Machinery and Equipment	10,489,007	985,337	(486,927)	10,987,417
Infrastructure	90,426,785	12,386,170	0	102,812,955
Total capital assets being depreciated	133,346,517	14,116,020	(486,927)	146,975,610
Less accumulated depreciation for:				
Buildings	(5,894,907)	(538,448)	0	(6,433,355)
Other Improvements	(5,624,002)	(398,442)	0	(6,022,444)
Machinery and Equipment	(6,762,849)	(856,643)	486,927	(7,132,565)
Infrastructure	(19,555,258)	(2,441,424)	0	(21,996,682)
Total accumulated depreciation	(37,837,016)	(4,234,957)	486,927	(41,585,046)
Total capital assets, being depreciated, net	95,509,501	9,881,063	0	105,390,564
Governmental activity capital assets, net	\$ 141,616,629	\$ 15,841,556	\$ (9,735,672)	\$ 147,722,513
	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 2,429,256	\$ 0	\$ 0	\$ 2,429,256
Construction in Progress	2,224,041	4,865,921	(2,639,529)	4,450,433
Total capital assets, not being depreciated	4,653,297	4,865,921	(2,639,529)	6,879,689
Capital assets, being depreciated:				
Buildings	9,082,691	0	(3,276)	9,079,415
Other Improvements	44,120,110	1,377,467	(66,958)	45,430,619
Machinery and Equipment	2,097,285	131,882	(29,058)	2,200,109
Total capital assets being depreciated	55,300,086	1,509,349	(99,292)	56,710,143
Less accumulated depreciation for:				
Buildings	(1,043,457)	(271,041)	1,671	(1,312,827)
Other Improvements	(17,312,265)	(1,028,378)	44,338	(18,296,305)
Machinery and Equipment	(848,607)	(115,963)	27,387	(937,183)
Total accumulated depreciation	(19,204,329)	(1,415,382)	73,396	(20,546,315)
Total capital assets, being depreciated, net	36,095,757	93,967	(25,896)	36,163,828
Business-type activity capital assets, net	\$ 40,749,054	\$ 4,959,888	\$ (2,665,425)	\$ 43,043,517

All reported capital assets of the City are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement.



City of Tukwila

Notes to the Financial Statements

Governmental Activities

Capital Assets - Increases:

2005 Capital Outlays	\$ 7,344,326
2005 Developer Turnovers	447,821
Surface Water Capital Assets Transfer – Cascade View Drainage Imp	1,864,425
Construction in Progress to Capital (Infrastructure)	9,735,672
Internal Service Funds (Equipment Rental)	<u>684,269</u>
Capital Assets – Total Increases	<u>\$ 20,076,513</u>

Depreciation expense for 2005 was charged to functions/programs as follows:

Governmental Activities:

General Government	\$ 52,755
Public Safety	178,090
Physical Environment	558,729
Transportation	2,442,823
Economic Environment	3,748
Culture and Recreation	422,070
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>576,742</u>
Total 2005 depreciation expense – governmental activities	<u>\$ 4,234,957</u>

Business-type Activities:

Water/Sewer Utility – Depreciation 2005	\$ 702,554
Foster Golf Course – Depreciation 2005	320,922
Surface Water Utility – Depreciation 2005	<u>391,906</u>
Total 2005 accumulated depreciation increases – business-type activities	<u>\$ 1,415,382</u>

NOTE 7 – JOINT VENTURES

Valley Communications Center

The “Valley Communications Center” was established August 20, 1976, when an Interlocal Agreement was entered into by the four original participating municipal corporations, including the cities of Renton, Kent, Auburn, and Tukwila, and Federal Way which was formally admitted during 2000. The agreement is sanctioned by the provisions and terms of the Interlocal Cooperation Act pursuant to RCW 39.34. The initial duration of the agreement was five years, and thereafter is automatically extended for consecutive five-year periods.

The purpose of the joint operation, hereafter referred to as Valley Com, is to provide improved consolidated emergency communications (dispatch) services for police, fire, and medical aid, to the five participating cities and to several subscribing agencies, which include King County Fire District Nos. 2, 20, 26, 40, 43, 44, and 47; City of Pacific Police and Fire Departments; City of Black Diamond Police and Fire Departments; City of Algona and Des Moines Police Departments; SeaTac Fire Department; North Highline Fire Department; Vashon Island Fire Department; and King County EMS Units. Separate agreements between Valley Com and the subscribing agencies have been executed, which set forth conditions of services and rates charged. The allocation of prorated financial participation among the five participating cities is the percentage of estimated dispatched calls attributed to each jurisdiction compared to the total estimated dispatched calls for the current 12-month period ending December 31.

The 2005 cost distribution for the five (5) participating cities are as follows:

	Dispatchable Calls	Percent of Total *
Renton	68,388	20.42%
Kent	56,130	16.76
Auburn	68,153	20.35
Tukwila	79,875	23.85
Federal Way	62,360	18.62
Total	334,906	100.00%

* Distribution of current year net income is based on these budgeted percentages. Information stated in Equity chart.

Valley Com is governed by an Administration Board composed of the mayors from the five participating cities of Renton, Kent, Auburn, Tukwila, and Federal Way. The Board is responsible for the following functions: (1) Adopting an annual budget after review by participating legislative bodies; (2) Appointment and/or discharge of the Director; (3) Approves personnel policy and makes final decisions on all major policy changes; (4) Reviews and approves all contracts.

In addition, an Operating Board was established and consists of two members of each participating City's Public Safety Departments, including the heads of such departments or their designees. The Operating Board performs the following functions: (1) Oversees the operation of Valley Com and advises and makes recommendations to the Administration Board; (2) Makes recommendation on Director selection; (3) Presents proposed policies and budgets to the Administration Board; (4) Approves disbursement of funds by the Director.

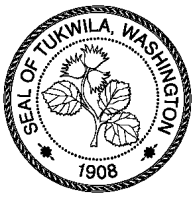
The Director presents a proposed budget to the Operating Board on or before August 15 of each year. Said budget is then presented to the Administration Board by September 1 of each year. The Administration Board can make changes to the proposed Valley Com budget as it finds necessary, but final approval falls to the legislative body of each participating city, in accordance with the provisions of the Interlocal Agreement.

The share of equity belonging to the five participating cities is as follows:

ITEM	RENTON	KENT	AUBURN	TUKWILA	FEDERAL WAY	TOTAL
Equity January 1, 2005	\$4,119,474	\$5,669,196	\$3,841,306	\$2,568,247	\$2,162,381	\$18,360,604
Current Year Increase (Decrease)	(145,040)	(119,069)	(144,529)	(169,399)	(132,294)	(710,331)
Equity Dec. 31, 2005	\$3,974,434	\$5,550,127	\$3,696,777	\$2,398,848	\$2,030,087	\$17,650,273
Percent of Equity	22.52%	31.44%	20.94%	13.60%	11.50%	100.00%
Percent of 2005 Distribution	(20.42%)	(16.76%)	(20.35%)	(23.85%)	(18.62%)	(100.00%)

Liabilities are the responsibility of the five participating cities in direct proportion to their equity position.

In August 1993, Valley Com entered into an interlocal cooperation agreement, pursuant to Chapter 39.34 RCW, with the subregions of King County, Seattle, and the Eastside Public Safety Communications Agency. This agreement governs the development, acquisition and installation of the 800 MHz emergency radio communications system funded by a \$57 million King County levy approved in November 1992.



City of Tukwila

Notes to the Financial Statements

This agreement provides that upon voluntary termination of any subregion's participation in the system, it surrenders its radio frequencies, relinquishes its equipment and transfers any unexpended levy proceeds and associated equipment replacement reserves to another subregion or consortium of subregions.

Thus, in accordance with this agreement, the participating cities of Valley Com have no equity interest in Valley Com's 800-MHz communications system.

During 2000, the Valley Communications Center Development Authority was created to issue \$12,758,000 in General Obligation Bonds to finance construction, equipment, and land for a new facility completed in 2002. Each of the five participating cities is responsible for one-fifth of the debt obligation, which is \$2,551,600. The basic agreement shall not be terminated until all bonds issued by Valley Communications Center Development Authority have been paid and retired.

A complete set of financial statements is available from Valley Com.

NOTE 8 – PENSION PLANS

The City implemented GASB Statements 25 and 27 for reporting of pension plans in 1996. For all plans the pension liability (asset) was determined in accordance with GASB Statement 27 to be zero both before and at the effective date of the transition.

Washington State Department of Retirement Systems

Substantially all of the City's full-time and qualifying part-time employees participate in one of the following statewide cost-sharing, multiple-employer, defined benefit public employee retirement plans administered by the State Department of Retirement Systems. Historical trend and other information regarding each plan are presented in the State Department of Retirement Systems 2005 Comprehensive Annual Financial Report. A copy of this report may be obtained at:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

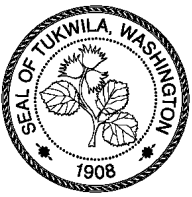
Public Employees Retirement System (PERS) Plans 1, 2, and 3

Plan Description. PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees (not in national higher education retirement programs); judges of district and municipal courts; and employees of local governments. PERS participants who joined the system by September 30, 1977, are enrolled as Plan 1 members. Those who joined either on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local

government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

- Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching the age of 66 a cost-of-living allowance is granted based on years of service credit and is capped at 3 percent annually.
- Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.
- Plan 3 has a dual benefit structure. Employer contributions finance a defined benefits component while member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including twelve months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

Funding Policy. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent and do not vary from year to year. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. PERS Plan 3 defined contribution is a non-contributing plan for employers. Employees who participate in the defined contribution portion of PERS Plan 3 do not contribute to the defined benefit portion of PERS Plan 3. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent: two of the options are graduated rates dependent on the employee's age. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.



City of Tukwila

Notes to the Financial Statements

The required contribution rates expressed as a percentage of covered payroll as of December 31, 2005 follows:

	PERS Plan I	PERS Plan II	PERS Plan III
Employer*	2.44%	2.44%	2.44%**
Employee	6.00%	2.25%	minimum 5.0% to maximum 15.0%

* The employer rates include the employer administrative expense fee currently set at 0.19%.

** Plan 3 defined benefit portion only.

Both the City and the employees made the required contributions. The City's contributions to PERS for the years ending December 31 were as follows:

	PERS Plan I	PERS Plan II	PERS Plan III
2005	\$ 6,559	\$ 174,327	\$ 34,101
2004	7,308	120,043	23,534
2003	14,846	116,348	15,464

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

Plan Description. LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF was established by the State legislature in 1970 under RCW Chapter 41.26. Membership includes all full-time law enforcement officers and fire fighters. Retirement benefits are financed by employee and employer contributions, investment earnings, and legislative appropriation. LEOFF is comprised primarily of non-state employees.

The LEOFF system contains two plans. Participants who joined the system by September 30, 1977 are Plan I members. Those who joined thereafter are enrolled in Plan II. Effective July 1, 2003, the LEOFF Plan II Retirement Board was established to provide governance of LEOFF Plan II. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan II retirement plan. Effective January 1, 2003 firefighter emergency medical technicians (EMTs) may transfer PERS Plan I or Plan II service credit to LEOFF Plan II if while employed for the City, the EMT's job was relocated to a fire department from another city, town, county or district. LEOFF defined benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays the remainder through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service is calculated as a percent of final average salary as follows:

<u>Term of Service</u>	<u>Percent of Final Average</u>
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The final average salary is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. If membership was established in LEOFF after February 18, 1974, the service retirement benefit is capped at 60 percent of final average salary. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the final average salary per year of service. The final average salary is based on the highest consecutive 60 months. Plan 2 retirements prior to the age of 53 are reduced 3 percent for each year that the benefit commences prior to age 53. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

Funding Policy. Plan I employers and employees are required to contribute at a prescribed rate and the State is responsible for the balance of the funding. Plan II employers and employees are required to pay at levels established by the legislature. Employer and employee contribution rates for Plan II are developed by the Office of the State Actuary to fund the system.

The required contribution rates to the LEOFF system expressed as a percentage of covered payroll as of December 31, 2005 follow:

	LEOFF Plan I	LEOFF Plan II
Employer	0.19%	4.39%
Employee	0.00%	6.99%

Both the City and the employees made the required contributions. The City's contributions to the LEOFF system for the years ended December 31 were as follows:

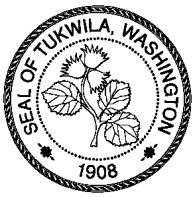
	LEOFF Plan I	LEOFF Plan II
2005	\$1,062	\$372,889
2004	1,167	305,621
2003	1,442	276,336

Firemen's Pension System

Plan Description. The City is the administrator of the Firemen's Pension Plan which is a closed, single-employer, defined benefit pension plan that was established in conformance with RCW Chapter 41.18. This plan provided retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Membership is limited to fire fighters employed prior to March 1, 1970 when the LEOFF retirement system was established. The City's obligation under the Firemen's Pension Plan consists of paying all benefits, including payments to beneficiaries, for fire fighters who retired prior to March 1, 1970 and excess benefits over LEOFF for covered fire fighters who retired after March 1, 1970.

Funding Policy. Under State law, the Firemen's Pension Plan is provided an allocation of all moneys received by the State from taxes on fire insurance premiums; interest earnings; member contributions made prior to the inception of LEOFF; and City contributions required to meet projected future pension obligations. An actuarial valuation was completed as of 12/31/04 and it was determined that current assets of the fund, along with future revenues from state fire insurance taxes and interest earnings, will be sufficient to pay all future Firemen's Pension Plan pension benefits. Costs to administer the plan are paid for through investment earnings and General Fund resources.

The system does not issue a stand-alone financial report and is not included in another Public Employee Retirement System or another entity. Biennially, every other year, a complete actuarial valuation financial report, including an accounting update for intervening years, is prepared by Milliman & Robertson, Incorporated. This report is available from the City of Tukwila.



City of Tukwila

Notes to the Financial Statements

Basis of Accounting. The financial statements are prepared using the accrual basis of accounting. Benefits are recognized when due and payable in accordance with the plan.

Membership of the Firemen's Pension Plan consisted of the following at December 31, 2005.

Retirees and beneficiaries receiving benefits	11
Retirees currently receiving full retirement benefits through the Law Enforcement Officers and Fire Fighters Retirement Plan (LEOFF)	<u>3</u>
Total	<u>14</u>

GASB STATEMENT NO. 27 THREE-YEAR TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution as a Percentage of APC *	Net Pension Obligation (NPO)
December 31, 2003	\$ (6,879)	N/A	\$ (29,725)
December 31, 2004	(6,486)	N/A	(76,523)
December 31, 2005	(5,386)	N/A	(111,642)

* In years with a negative APC, this percentage is not applicable.

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due.

Three-year and six-year trend information is presented as required supplementary information following the *Notes to the Financial Statements*.

GASB STATEMENT NO. 27 ANNUAL DEVELOPMENT OF PENSION COST

Fiscal Year Ending	ARC at EOY	Interest on NPO (2) = [prior yr (7)] x int.rate (i)*	ARC Adjustment (3) = [prior yr (7)] / (9)	Annual Pension Cost (APC) (4) = (1) + (2) - (3)	Total Employer Contributions (5)	Change in NPO (6) = (4) - (5)	NPO Balance (7) = (6) + [prior yr (7)]	(Gain)/ Loss (8) = (1) - (5)	Amort. Factor (9)	Amort. of (Gain)/ Loss (10) = [prior yr (11)] / (9)	Ending Balance (11) = (7)
12/31/03	\$ (6,789)	\$ 695	\$ 785	\$ (6,879)	\$ 32,776	\$ (39,655)	\$ (29,725)	\$ (39,565)	12.6536	\$ 785	\$ (29,725)
12/31/04	(6,789)	(2,081)	(2,384)	(6,486)	40,312	(46,798)	(76,523)	(47,101)	12.4693	(2,384)	(76,523)
12/31/05	(6,547)	(4,591)	(5,752)	(5,386)	29,733	(35,119)	(111,642)	(36,280)	13.3034	(5,752)	(111,642)

*(i) is the assumed interest rate that year: 7% in 2003, 7% in 2004, 6% in 2005

GASB STATEMENT NO. 27 ANNUAL PENSION COST AND NET PENSION OBLIGATION

	2003	Fiscal Year Ending 2004	2005
Annual required contribution (ARC)			
1. Annual Normal Cost (BOY)	\$ 0	\$ 0	\$ 0
2. Amortization of UAAL (BOY)	(6,345)	(6,345)	(6,176)
3. Interest to EOY [(1) + (2)]x (i)*	(444)	(444)	(371)
4. ARC at EOY [(1) + (2) + (3)]	\$ (6,789)	\$ (6,789)	\$ (6,547)
5. Interest on NPO	\$ 695	\$ (2,081)	\$ (4,591)
6. Adjustment to ARC	785	(2,384)	(5,752)
7. Annual Pension Cost [(APC)] [(4) + (5) - (6)]	\$ (6,879)	\$ (6,486)	\$ (5,386)
8. Employer Contributions **	32,776	40,312	29,733
9. Change in NPO [(7) - (8)]	(39,655)	(46,798)	(35,119)
10. NPO at BOY [(11) prior year]	\$ 9,930	\$ (29,725)	\$ (76,523)
11. NPO at EOY [(9) + (10)]	\$ (29,725)	\$ (76,523)	\$ (111,642)

*(i) is the assumed interest rate that year: 7% in 2003, 7% in 2004, 6% in 2005

** Employer contributions for pensions are total contributions to the Fund net of disbursements from the Fund for medical expenses under RCW 41.26.150 and administrative expenses.

The information presented in the preceding required schedules was determined as part of the actuarial valuations at the dates indicated. Since all Firemen's Pension Fund employees for Tukwila are now retired, the actuarial cost method does not apply for retirees and is irrelevant.

Actuarial cost method:	Entry Age Normal
Amortization Method:	Closed 30 years from 1/1/99, level dollars
Asset Valuation method for all years:	Fair Value

The key actuarial assumptions used for the January 1, 2005 valuation are:

Economic assumptions:

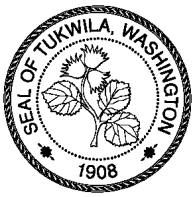
Investment rate of return	6.00%
Projected salary increases	4.00%
Price inflation	3.00%
Growth in fire insurance premiums	3.00%

Non-economic assumptions:

Mortality rates are based on the 1994 Group Annuity Mortality Table for males, with ages set forward one year.

Turnover is assumed to be zero

Probabilities of both service and disability retirement vary by age.



City of Tukwila

Notes to the Financial Statements

NOTE 9 – CAPITAL LEASES

In 2005, the City of Tukwila entered into a capital lease agreement for financing the purchase of 34 golf carts. This business-type activity qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The assets acquired through the capital lease are as follows:

Asset	Business-Type Activities
Machinery and Equipment	\$ 128,605
Less: Accumulated Depreciation	\$ 0
Total	\$ 128,605

The minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2005 were as follows:

Year Ending December 31	Business-Type Activities
2006	\$ 35,345
2007	35,345
2008	35,345
2009	11,782
Total Minimum Lease Payments	\$ 117,817
Less: Amount Representing interest	\$ (8,999)
Present Value of Minimum Lease Payments	\$ 108,818

NOTE 10 – LONG-TERM DEBT

The City of Tukwila's long-term debt consists of Governmental Activities Long-Term Debt and Business-Type Activities Long-Term Debt. The City is in compliance with all Washington State Debt limitation statutes and bond indenture agreements. The City's Long-Term Debt is accounted for in two areas:

1. Governmental Activities Long-Term Debt - Debt in this classification is paid from property and sales tax revenues and is a general obligation of the City. The City has an A1 and an Aaa bond rating from Moody's Investor Service for its 1999, 2000, and 2003 General Obligation Bonds, and 2003 General Obligation Refunding Bonds, respectively.

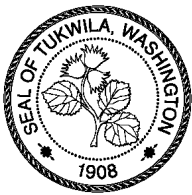
The \$2,551,600 shown as authorized represents Tukwila's share of a joint venture capital project. See Note 7.

2. Business-Type Activities Long-Term Debt - Operating revenues of the individual proprietary fund are used to satisfy this debt. The City's bond rating from Moody's Investors Service is Aaa for the 1993 and 1995 Revenue Bonds. The City has an A1 and Aaa bond rating from Moody's Investor Service for its 2003 General Obligation Bonds. Public Works Trust Fund loans are low interest rate loans available from the Washington State Department of Community Development for qualifying projects. The Foster Golf Course Fund incurred a capital lease during 2005. Please see Note 9 above.

The schedules that follow summarize the long-term debt transactions of the City for the year ended December 31, 2005. The first table summarizes all debt transactions for Tukwila, while the second provides detailed information on all long-term debt.

LONG-TERM DEBT SCHEDULES

ITEM	PUBLIC WORKS						TOTAL
	LIMITED G.O. BONDS	REVENUE BONDS	TRUST FUND LOANS	CAPITAL LEASES	COMPENSATED ABSENCES		
Payable 01/01/05	\$ 25,974,000	\$ 3,675,000	\$ 2,924,739	\$ 0	\$ 1,898,871		\$ 34,472,610
Added	0	0	2,123,028	128,605	2,265,290		4,516,923
Retired	1,261,000	485,000	136,516	19,787	2,143,290		4,045,593
PAYABLE							
12/31/05	\$ 24,713,000	\$ 3,190,000	\$ 4,911,251	\$ 108,818	\$ 2,020,871		\$ 34,943,940



City of Tukwila

Notes to the Financial Statements

The following chart depicts debt outstanding as of December 31, 2005:

ITEM	INTEREST		OUTSTANDING					DUE WITHIN	
	RATES	MATURITY	AUTHORIZED	01/01/05	ISSUED	REDEEMED	12/31/05	ONE YEAR	
GOVERNMENTAL ACTIVITIES:									
<u>Bonds Payable:</u>									
<i>General Government</i>									
1999 Limited G.O. Streets/Facilities	4.50-5.70	12/01/19	\$ 10,000,000	\$ 8,365,000	\$ 0	\$ (380,000)	\$ 7,985,000	\$ 400,000	
2000 Limited G.O. Facilities	4.30-5.75	12/01/15	2,551,600	2,054,000	0	(146,000)	1,908,000	153,000	
2003 Limited G.O. Refunding Facilities	4.00-5.00	12/01/14	4,195,000	3,895,000	0	(325,000)	3,570,000	335,000	
2003 Limited G.O. Streets	4.25-4.65	12/01/23	6,277,500	6,277,500	0	0	6,277,500	0	
<u>Less/Add Deferred Amounts:</u>									
For Issuance Premiums				283,834	0	(25,679)	258,155	0	
On Refunding				(68,781)	0	7,642	(61,139)	0	
Total Bonds Payable			<u>\$ 23,024,100</u>	<u>\$ 20,806,553</u>	<u>\$ 0</u>	<u>\$ (869,037)</u>	<u>\$ 19,937,516</u>	<u>\$ 888,000</u>	
<u>Compensated Absences:</u>									
				<u>\$ 1,708,732</u>	<u>\$ 2,075,359</u>	<u>\$ (1,967,160)</u>	<u>\$ 1,816,931</u>	<u>\$ 60,000</u>	
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES									
			<u>\$ 23,024,100</u>	<u>\$ 22,515,285</u>	<u>\$ 2,075,359</u>	<u>\$ (2,836,197)</u>	<u>\$ 21,754,447</u>	<u>\$ 948,000</u>	
BUSINESS-TYPE ACTIVITIES:									
<u>Bonds Payable:</u>									
1993 Water/Sewer Refunding Revenue	2.60-4.70	12/01/06	\$ 2,925,000	\$ 560,000	\$ 0	\$ (275,000)	\$ 285,000	\$ 285,000	
1995 Water/Sewer Revenue	4.15-6.63	02/01/15	4,500,000	3,115,000	0	(210,000)	2,905,000	225,000	
2003 Limited G.O. Golf Course	3.21-4.65	12/01/23	5,772,500	5,382,500	0	(410,000)	4,972,500	425,000	
			<u>\$ 13,197,500</u>						
<u>Less/Add Deferred Amounts:</u>									
For Issuance Discounts				(82,217)	0	16,579	(65,638)	0	
For Issuance Premiums				117,655	0	(10,051)	107,604	0	
Total Bonds Payable			<u>\$ 13,197,500</u>	<u>\$ 9,092,938</u>	<u>\$ 0</u>	<u>\$ (888,472)</u>	<u>\$ 8,204,466</u>	<u>\$ 935,000</u>	
<u>Public Works Trust Fund Loans:</u>									
1990 PWTF Loan - Surface Water	5.00	07/01/10	\$ 140,000	\$ 44,215	\$ 0	\$ (7,370)	\$ 36,845	\$ 7,369	
1991 PWTF Loan - Surface Water	1.00	07/01/11	1,313,000	356,247	0	(50,893)	305,354	50,893	
2001 PWTF Loan - Water/Sewer	0.50	07/01/05	75,000	20,403	0	(20,403)	0	0	
2001 PWTF Loan - Surface Water	0.50	07/01/05	25,000	6,799	0	(6,799)	0	0	
2003 PWTF Loan - Surface Water	0.50	07/01/08	100,000	75,000	25,000	(25,000)	75,000	25,000	
2003 PWTF Loan - Water/Sewer	0.50	07/01/21	273,870	245,722	0	(14,454)	231,268	14,454	
2003 PWTF Loan - Surface Water	0.50	07/01/21	219,725	197,142	0	(11,597)	185,545	11,597	
2004 PWTF Loan - Water/Sewer	2.00	07/01/24	4,788,000	957,600	0	0	957,600	50,400	
2004 PWTF Loan - Surface Water	2.00	07/01/24	912,000	182,400	0	0	182,400	9,600	
2004 PWTF Loan - Surface Water	1.00	07/01/24	4,196,056	839,211	2,098,028	0	2,937,239	154,592	
Total Public Works Trust Fund Loans			<u>\$ 12,042,651</u>	<u>\$ 2,924,739</u>	<u>\$ 2,123,028</u>	<u>\$ (136,516)</u>	<u>\$ 4,911,251</u>	<u>\$ 323,905</u>	
<u>Capital Lease:</u>									
			<u>128,605</u>	<u>\$ 0</u>	<u>\$ 128,605</u>	<u>\$ (19,787)</u>	<u>\$ 108,818</u>	<u>\$ 30,871</u>	
<u>Compensated Absences:</u>									
				<u>\$ 190,139</u>	<u>\$ 189,931</u>	<u>\$ (176,130)</u>	<u>\$ 203,940</u>	<u>\$ 25,000</u>	
BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES									
			<u>\$ 25,368,756</u>	<u>\$ 12,207,816</u>	<u>\$ 2,441,564</u>	<u>\$ (1,220,905)</u>	<u>\$ 13,428,475</u>	<u>\$ 1,314,776</u>	
TOTAL GOVERNMENTAL AND BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES									
			<u>\$ 48,392,856</u>	<u>\$ 34,723,101</u>	<u>\$ 4,516,923</u>	<u>\$ (4,057,102)</u>	<u>\$ 35,182,922</u>	<u>\$ 2,262,776</u>	

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

Debt Limit Capacities

State law provides that debt cannot be incurred in excess of the following percentages of the value of the taxable property of the City: 1.5% without a vote of the people; 2.5% with a vote of the people; 5.0% with a vote of the people, provided the indebtedness in excess of 2.5% is for utilities; 7.5% with a vote of the people, provided the indebtedness in excess of 5.0% is for parks or open space development.

At December 31, 2005, the debt limits for the City were as follows:

ITEM	WITHOUT A VOTE	----- WITH A VOTE OF THE PEOPLE -----		
	1.5%	2.5%	5.0%	7.5%
Legal Limit	\$ 54,158,382	\$ 90,263,969	\$ 180,527,938	\$ 270,791,907
Outstanding Net Indebtedness	<u>23,407,761</u>	<u>23,407,761</u>	<u>23,407,761</u>	<u>23,407,761</u>
Margin Available	<u>\$ 30,750,621</u>	<u>\$ 66,856,208</u>	<u>\$ 157,120,177</u>	<u>\$ 247,384,146</u>

DEBT SERVICE TO MATURITY

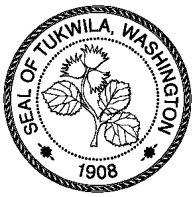
Following is a schedule showing the debt service requirements to maturity for the City's long-term debt, excluding compensated absences.

DEBT SERVICE REQUIREMENT TO MATURITY LONG-TERM DEBT SUMMARY
As of December 31, 2005

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended December 31	Governmental Activities		Business-Type Activities	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2006	\$ 888,000	\$ 953,908	\$ 425,000	\$ 199,749
2007	930,000	913,670	445,000	186,107
2008	972,000	871,310	460,000	171,822
2009	1,281,297	826,421	218,703	157,056
2010	1,394,028	767,418	184,972	148,489
2011-2015	7,512,638	2,791,092	1,046,362	619,516
2016-2020	5,159,703	1,100,982	1,280,297	384,468
2021-2023	1,602,834	150,776	912,166	85,806
TOTALS	\$ 19,740,500	\$ 8,375,577	\$ 4,972,500	\$ 1,953,013

Business-Type Activities						
Year Ended December 31	Revenue Bonds		Public Works Trust Fund Loans		Total Long-Term Debt	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2006	\$ 510,000	\$ 180,052	\$ 323,905	\$ 55,244	\$ 833,905	\$ 235,296
2007	235,000	154,922	323,903	55,649	558,903	210,571
2008	250,000	142,063	323,903	51,770	573,903	193,833
2009	260,000	128,292	298,903	47,892	558,903	176,184
2010	275,000	113,848	298,903	44,138	573,903	157,986
2011-2015	1,660,000	287,405	1,254,105	171,125	2,914,105	458,530
2016-2020	0	0	1,203,212	98,712	1,203,212	98,712
2021-2024	0	0	884,417	27,289	884,417	27,589
TOTALS	\$ 3,190,000	\$ 1,006,582	\$ 4,911,251	\$ 552,119	\$ 8,101,251	\$ 1,558,701



City of Tukwila

Notes to the Financial Statements

NOTE 11 - RESERVATION AND DESIGNATIONS OF FUND EQUITY

Following is an analysis of fund equity reservation by type for each of the City's fund groups.

RESERVATION OF FUND EQUITY

Equity Reserved For:	General	Special Revenue	Fiduciary	Totals
Imprest Funds	\$ 13,250	\$ 0	\$ 0	\$ 13,250
Interfund Loans Receivable	544,440	705,560	0	1,250,000
Employees' Pension Benefits	0	0	1,277,004	1,277,004
Total	\$ 557,690	\$ 705,560	\$ 1,277,004	\$ 2,540,254

There is a Fund Equity Designation of \$2,816,822 in the General Fund. This represents sales tax accruals. The City desires to exclude this revenue from appropriation to protect cash liquidity.

NOTE 12 - LITIGATION

There are several lawsuits in which the City is involved. The City Attorney estimates that the potential claims against the City are either covered by insurance or are not material enough to affect the financial statements of the City. See also Note 14.

NOTE 13 - RESTRICTED ASSETS

The balances of the restricted asset accounts in the enterprise funds are as follows:

Customer deposits - water/sewer utility	\$ 35,770
Customer deposits - Foster golf course	47,936
Revenue bond reserve account	577,587
Total restricted assets	<u>\$ 661,293</u>

NOTE 14 – RISK MANAGEMENT

The City is insured for comprehensive general liability, automobile liability, stop-gap coverage, boiler and machinery, errors and omissions liability and employee benefits liability through the Washington Cities Insurance Authority (WCIA).

Utilizing RCW Chapter 48.62 (self-insurance regulation) and RCW Chapter 39.34 (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. To date, WCIA has a total of 115 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police professional, public officials errors or omissions, stop-gap, and employee benefits liability. Limits are \$3 million per occurrence self insured layer, and \$11 million per occurrence in the re-insured excess layer with no annual aggregate except \$10 million per member for public officials errors and omissions. The excess layer is insured by the purchase of reinsurance and insurance. Total limits are \$14 million per occurrence. The Board of Directors determines the limits and terms of coverage annually.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of reinsurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. Third party contracts exist for the use of a claims investigation company, consultants for personnel issues and land use problems, and insurance brokerage and lobbyist services.

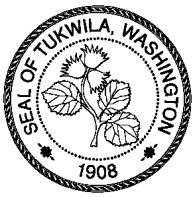
WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the Interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

WCIA is governed by a Board of Directors, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day-to-day operations of WCIA.

The City self-insures for unemployment benefits. This is budgeted each year and has not exceeded \$60,000 per year. This expense is budgeted in each respective fund and no reserves are allocated because of the limited liability and historical cost.

The City also self-insures for medical, dental and other health care benefits. A third-party administrator, Healthcare Management Administrators, Inc., provides claims administration. The City has a stop-loss policy with Sun Life Assurance Company, which provides individual limits of \$100,000 and a plan



City of Tukwila

Notes to the Financial Statements

limit of \$5,989,204 in 2005. Each fund contributes an appropriate amount each year to pay premiums and claims. At the end of each year the employees and employer share equally any residual amounts. Liabilities include an amount for claims that have been incurred but not reported (IBNR's). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. The basis for estimating the liabilities for unpaid claims includes the effects of specific, incremental claim adjustment expenses, salvage, subrogation, and other allocated adjustment expenses.

The following table reflects changes in the balances of claims liabilities for 2004 and 2005.

ITEM	Insurance	Insurance	Insurance –	Insurance –
	2005	2004	LEOFF I	LEOFF I
	2005	2004	2005	2004
Claims Liabilities at Beginning of the Year	\$ 654,039	\$ 629,182	\$ 48,365	\$ 0
Claims Expenses:				
Current Year and Changes in Estimates	3,826,453	3,295,052	424,339	290,192
Claims Payments and Expenses	<u>(3,733,743)</u>	<u>(3,270,195)</u>	<u>(393,920)</u>	<u>(241,827)</u>
Claims Liabilities at End of the Year	<u>\$ 746,749</u>	<u>\$ 654,039</u>	<u>\$ 78,784</u>	<u>\$ 48,365</u>

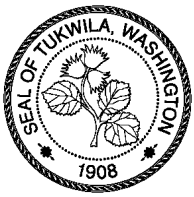
The City insures its buildings, equipment, and vehicle property insurance with WCIA. They self-fund up to \$250,000 with standard property insurance purchased above that amount. American States Insurance Company insures boiler machinery, crime and employee dishonesty coverage.

The City of Tukwila has a Risk Management and a Safety Committee to oversee risk management. In addition, the WCIA provides support for a proactive risk analysis program and a loss control manual.

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS

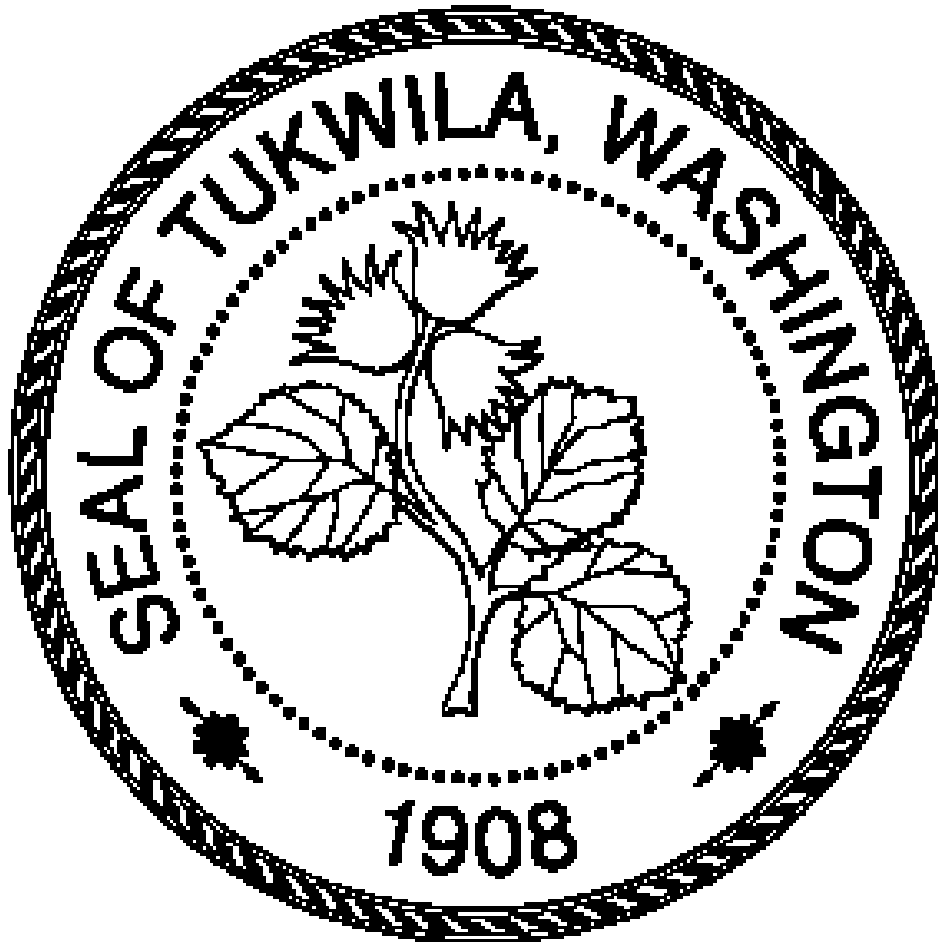
In addition to the pension benefits described in Note 8, the City provides post retirement health care benefits, in accordance with State statutes, to all LEOFF retirees. Currently, 39 retirees meet those eligibility requirements. The City provides medical insurance and reimburses for all validated claims for medical, dental, and hospitalization costs incurred by retirees. Expenditures for post retirement health care benefits are recognized as retirees report claims. During the year, expenditures of \$458,341 were recognized for post retirement health care. This represents a \$1,491 increase from the previous year.

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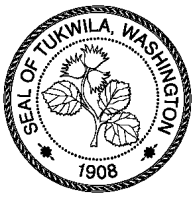


City of Tukwila

Notes to the Financial Statements



REQUIRED SUPPLEMENTARY INFORMATION



City of Tukwila

Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION FIREMEN'S PENSION TRUST FUND

SCHEDULE OF FUNDING PROGRESS (All dollar amounts in thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of covered payroll
January 1, 2000	\$ 1,076	\$ 1,243	\$ 167	86.56%	\$ 112	149.11%
January 1, 2003	1,215	1,135	(80)	107.05	0	N/A
January 1, 2005	1,265	1,182	(83)	107.02	0	N/A

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

Fiscal Year Ending	Actual Employer Contributions	Actual Fire Insurance Premiums	Less Medical Payments & Expenses *	Total Fund Contributions	Annual Required Contribution (ARC)	Percentage of ARC Contributed
December 31, 2000	\$ 0	\$ 25,720	\$ 0	\$ 25,720	\$ 14,248	181%
December 31, 2001	0	30,819	40,000	(9,181)	14,248	(64)
December 31, 2002	0	31,845	25,000	6,845	14,248	48
December 31, 2003	0	36,651	3,875	32,776	(6,789)	N/A
December 31, 2004	0	40,812	500	40,312	(6,789)	N/A
December 31, 2005	0	40,983	11,250	29,733	(6,547)	N/A

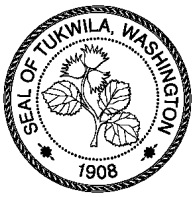
* Beginning in 2003, expenses will be included.

The information presented in the preceding required schedules was determined as part of the actuarial valuations at the dates indicated.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FIREMEN'S PENSION TRUST FUND**

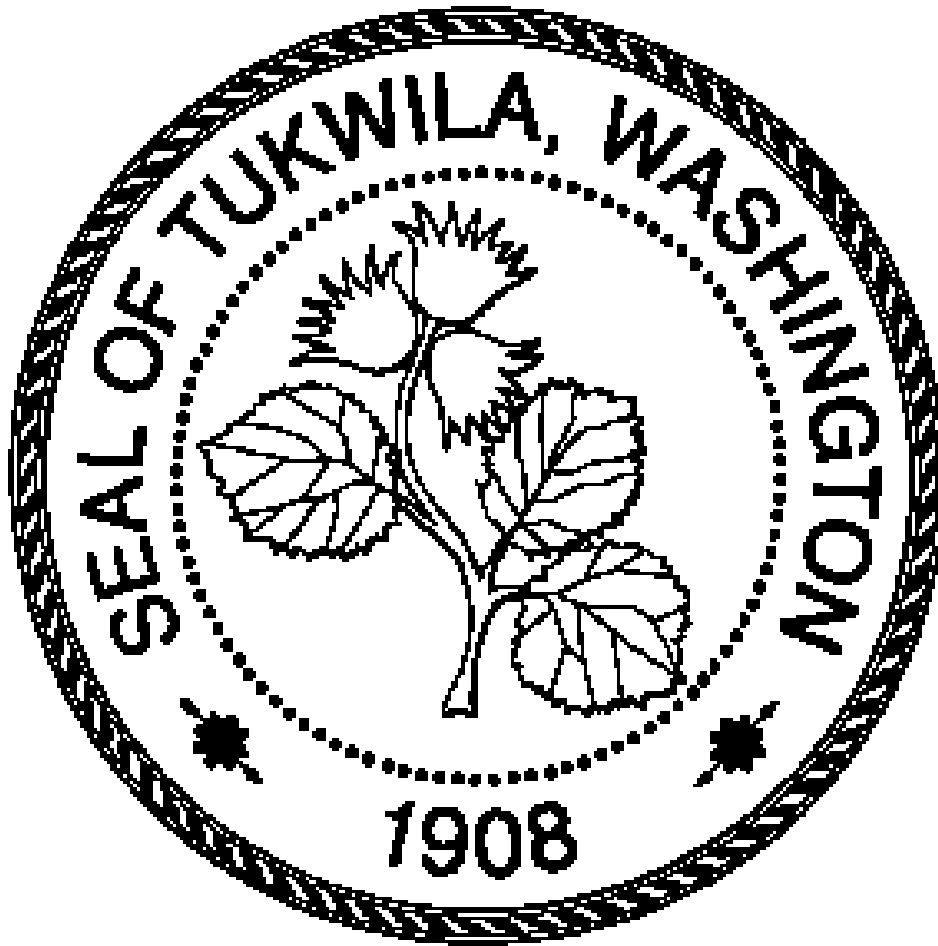
Valuation Date	January 1, 2005
Actuarial Cost Method	Entry Age Normal
Amortization Method	30-year, closed as of January 1, 1999
Remaining Amortization Period	24 years
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Investment Rate of Return	6.0%
Projected Salary Increases	4.0%
Includes Inflation at	3.0%
Cost of Living Adjustments	Based upon salary increase assumption for FPF benefits, inflation assumption for LEOFF benefits.

* Under the Firemen's Pension Trust Fund, most adjustments are based on the change in salary for the rank of the members held at retirement or based on the Consumer Price Index. Adjustments are determined in accordance with RCW 41.18.150, RCW 41.20 and RCW 41.26.

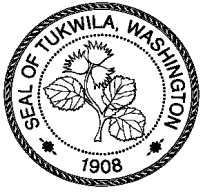


City of Tukwila

Required Supplementary Information

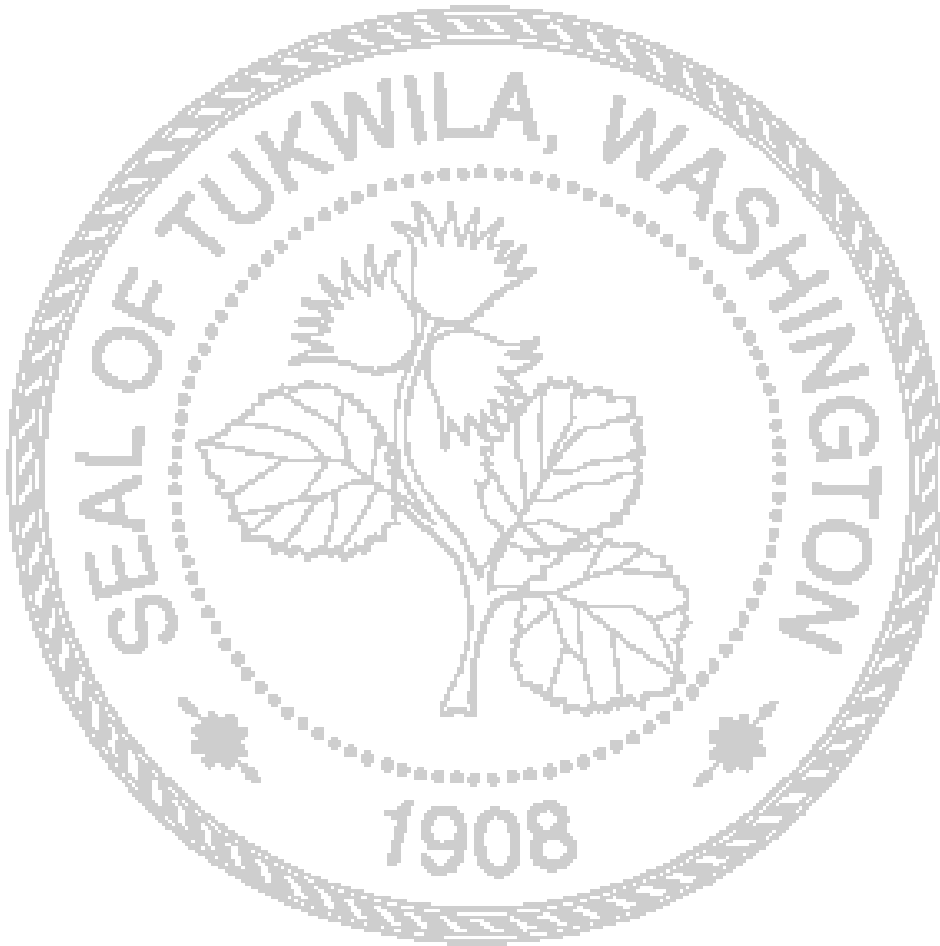


**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES -
NONMAJOR FUNDS**



City of Tukwila

Combining and Individual Fund Statements



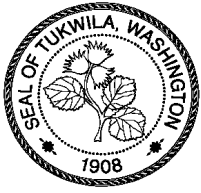


**COMBINING BALANCE SHEET BY FUND TYPE
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005**

DESCRIPTION	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL NONMAJOR FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 140,083	\$ 78,795	\$ 662,111	\$ 880,989
Investments	1,646,306	871,000	4,765,951	7,283,257
Receivables:				
Taxes	0	355,444	286,152	641,596
Interest on Investments	17,678	0	10,197	27,875
Due From Other Governmental Units	0	0	10,995	10,995
TOTAL ASSETS	\$ 1,804,067	\$ 1,305,239	\$ 5,735,406	\$ 8,844,712
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 0	\$ 0	\$ 40,014	\$ 40,014
Other Current Liabilities	0	0	13,780	13,780
Deferred Revenues	0	0	3,659	3,659
TOTAL LIABILITIES	0	0	57,453	57,453
FUND BALANCES:				
Unreserved - Undesignated	1,804,067	1,305,239	5,677,953	8,787,259
TOTAL FUND BALANCES	1,804,067	1,305,239	5,677,953	8,787,259
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,804,067	\$ 1,305,239	\$ 5,735,406	\$ 8,844,712

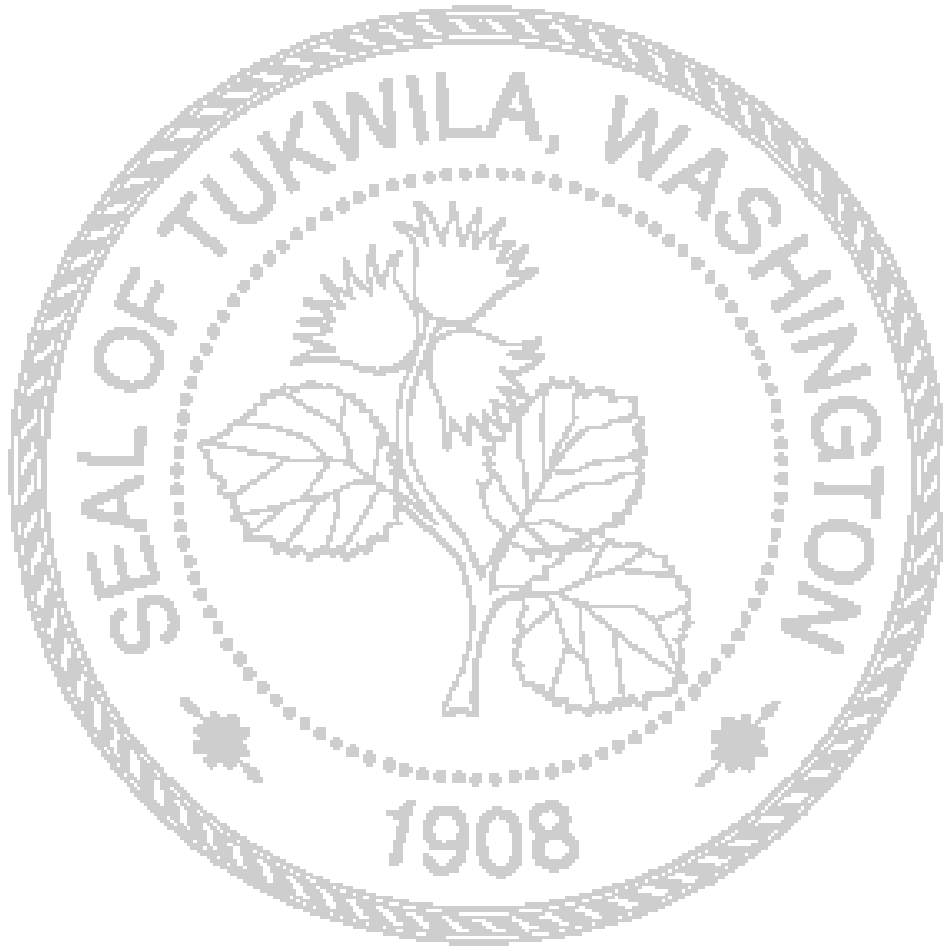
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES BY FUND TYPE
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2005**

DESCRIPTION	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL NONMAJOR FUNDS
REVENUES				
Taxes	\$ 0	\$ 1,754,510	\$ 1,792,030	\$ 3,546,540
Intergovernmental	360,106	250,812	70,925	681,843
Investment Income	69,565	37,419	135,971	242,955
Miscellaneous	7,470	0	294,019	301,489
TOTAL REVENUES	437,141	2,042,741	2,292,945	4,772,827
EXPENDITURES				
Current:				
Public Safety	744,675	0	0	744,675
Physical Environment	0	0	164,064	164,064
Transportation	155,688	0	0	155,688
Culture and Recreation	0	0	84,310	84,310
Debt Service:				
Principal	0	851,000	0	851,000
Interest	0	993,864	0	993,864
Capital Outlay	0	0	458,797	458,797
TOTAL EXPENDITURES	900,363	1,844,864	707,171	3,452,398
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(463,222)	197,877	1,585,774	1,320,429
OTHER FINANCING SOURCES (USES)				
Transfers In	150,000	0	0	150,000
Transfers (Out)	(450,000)	0	0	(450,000)
TOTAL OTHER FINANCING SOURCES AND (USES)	(300,000)	0	0	(300,000)
Net Change in Fund Balances	(763,222)	197,877	1,585,774	1,020,429
Fund Balances - Beginning	2,567,289	1,107,362	4,092,179	7,766,830
FUND BALANCES - ENDING	\$ 1,804,067	\$ 1,305,239	\$ 5,677,953	\$ 8,787,259



City of Tukwila

Combining and Individual Fund Statements



NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are established to account for proceeds of specific taxes or other specific revenue sources that are legally restricted to expenditures for particular purposes. This revenue is segregated into individual Special Revenue Funds to classify expenditures for specified purposes.

Valley Narcotics Enforcement Team (VNET) - Established to account for the program activities of narcotic related investigations involving the jurisdictions of Auburn, Kent, Renton, Tukwila, King County, and the Washington State Patrol. Tukwila transferred fiscal agent duties to the City of Auburn effective July 1, 2005 Per City Council Resolution No. 1582, resulting in the closing and discontinuation of this fund.

Street Fund - Established in accordance with RCW 35A.37.010 to account for maintenance and improvement of the City's street and traffic control systems. Major sources of support are general tax revenues and the State-levied tax on motor vehicle fuels distributed to Tukwila, to be used for City street purposes.

Contingency Fund - Provides funding for any municipal expenditure, the necessity or extent of which could not be foreseen or reasonably evaluated at the time of budget adoption. Resources of the fund are general tax revenues.

Fire Equipment Cumulative Reserve Fund - Provides funding for major fire department equipment purchases. Primary revenue source is a \$150,000 annual transfer from the General Fund.



**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005**

DESCRIPTION	SPECIAL REVENUE				TOTAL NONMAJOR SPECIAL REVENUE FUNDS
	VALLEY NARCOTICS ENFORCEMENT TEAM (VNET)	STREET	CONTINGENCY	FIRE EQUIPMENT CUMULATIVE RESERVE	
ASSETS					
Cash and Cash Equivalents	\$ 0	\$ 94,973	\$ 24,517	\$ 20,593	\$ 140,083
Investments	0	295,312	752,869	598,125	1,646,306
Receivables:					
Interest on Investments	0	6,973	4,569	6,136	17,678
TOTAL ASSETS	\$ 0	\$ 397,258	\$ 781,955	\$ 624,854	\$ 1,804,067
FUND BALANCES:					
Unreserved - Undesignated	0	397,258	781,955	624,854	1,804,067
TOTAL FUND BALANCES	0	397,258	781,955	624,854	1,804,067
TOTAL LIABILITIES AND FUND BALANCES	\$ 0	\$ 397,258	\$ 781,955	\$ 624,854	\$ 1,804,067

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2005**

DESCRIPTION	SPECIAL REVENUE				TOTAL NONMAJOR SPECIAL REVENUE FUNDS
	VALLEY NARCOTICS ENFORCEMENT TEAM (VNET)	STREET	CONTINGENCY	FIRE EQUIPMENT CUMULATIVE RESERVE	
REVENUES					
Intergovernmental	\$ 109,341	\$ 250,765	\$ 0	\$ 0	\$ 360,106
Investment Income	6,587	21,354	23,591	18,033	69,565
Miscellaneous	7,370	0	0	100	7,470
TOTAL REVENUES	123,298	272,119	23,591	18,133	437,141
EXPENDITURES					
Current:					
Public Safety	744,675	0	0	0	744,675
Transportation	0	155,688	0	0	155,688
TOTAL EXPENDITURES	744,675	155,688	0	0	900,363
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(621,377)	116,431	23,591	18,133	(463,222)
OTHER FINANCING SOURCES (USES)					
Transfers In	0	0	0	150,000	150,000
Transfers (Out)	0	(450,000)	0	0	(450,000)
TOTAL OTHER FINANCING SOURCES AND (USES)	0	(450,000)	0	150,000	(300,000)
Net Change in Fund Balances	(621,377)	(333,569)	23,591	168,133	(763,222)
Fund Balances - Beginning	621,377	730,827	758,364	456,721	2,567,289
FUND BALANCES - ENDING	\$ 0	\$ 397,258	\$ 781,955	\$ 624,854	\$ 1,804,067



City of Tukwila

Combining Statements - Nonmajor Governmental Funds

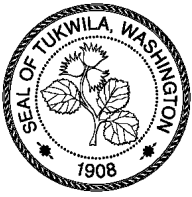
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VALLEY NARCOTICS ENFORCEMENT TEAM (VNET) SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET (GAAP BASIS) AND ACTUAL For the Year Ended December 31, 2005

DESCRIPTION	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 109,341	\$ 9,341
Investment Income	2,000	2,000	6,587	4,587
Miscellaneous	75,000	75,000	7,370	(67,630)
TOTAL REVENUES	177,000	177,000	123,298	(53,702)
EXPENDITURES				
Current:				
Public Safety	748,000	748,000	744,675	3,325
Transportation	0	0	0	0
Capital Outlay	10,000	10,000	0	10,000
TOTAL EXPENDITURES	758,000	758,000	744,675	13,325
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(581,000)	(581,000)	(621,377)	(40,377)
OTHER FINANCING SOURCES (USES)				
Transfers In	0	0	0	0
Transfers (Out)	0	0	0	0
TOTAL OTHER FINANCING SOURCES AND (USES)	0	0	0	0
Net Change in Fund Balance	(581,000)	(581,000)	(621,377)	(40,377)
Fund Balance - Beginning	581,000	581,000	621,377	40,377
FUND BALANCE - ENDING	\$ 0	\$ 0	\$ 0	\$ 0

STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2005

DESCRIPTION	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ 235,000	\$ 235,000	\$ 250,765	\$ 15,765
Investment Income	4,000	4,000	21,354	17,354
Miscellaneous	0	0	0	0
TOTAL REVENUES	239,000	239,000	272,119	33,119
EXPENDITURES				
Current:				
Public Safety	0	0	0	0
Transportation	146,000	146,000	155,688	(9,688)
Capital Outlay	175,000	175,000	0	175,000
TOTAL EXPENDITURES	321,000	321,000	155,688	165,312
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(82,000)	(82,000)	116,431	198,431
OTHER FINANCING SOURCES (USES)				
Transfers In	0	0	0	0
Transfers (Out)	(450,000)	(450,000)	(450,000)	0
TOTAL OTHER FINANCING SOURCES AND (USES)	(450,000)	(450,000)	(450,000)	0
Net Change in Fund Balance	(532,000)	(532,000)	(333,569)	198,431
Fund Balance - Beginning	751,000	751,000	730,827	(20,173)
FUND BALANCE - ENDING	\$ 219,000	\$ 219,000	\$ 397,258	\$ 178,258



City of Tukwila

Combining Statements - Nonmajor Governmental Funds

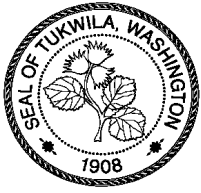
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CONTINGENCY FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET (GAAP BASIS) AND ACTUAL For the Year Ended December 31, 2005

DESCRIPTION	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0
Investment Income	20,000	20,000	23,591	3,591
Miscellaneous	0	0	0	0
TOTAL REVENUES	20,000	20,000	23,591	3,591
EXPENDITURES				
Current:				
Public Safety	0	0	0	0
Transportation	0	0	0	0
Capital Outlay	0	0	0	0
TOTAL EXPENDITURES	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	20,000	20,000	23,591	3,591
OTHER FINANCING SOURCES (USES)				
Transfers In	0	0	0	0
Transfers (Out)	0	0	0	0
TOTAL OTHER FINANCING SOURCES AND (USES)	0	0	0	0
Net Change in Fund Balance	20,000	20,000	23,591	3,591
Fund Balance - Beginning	764,000	764,000	758,364	(5,636)
FUND BALANCE - ENDING	\$ 784,000	\$ 784,000	\$ 781,955	\$ (2,045)

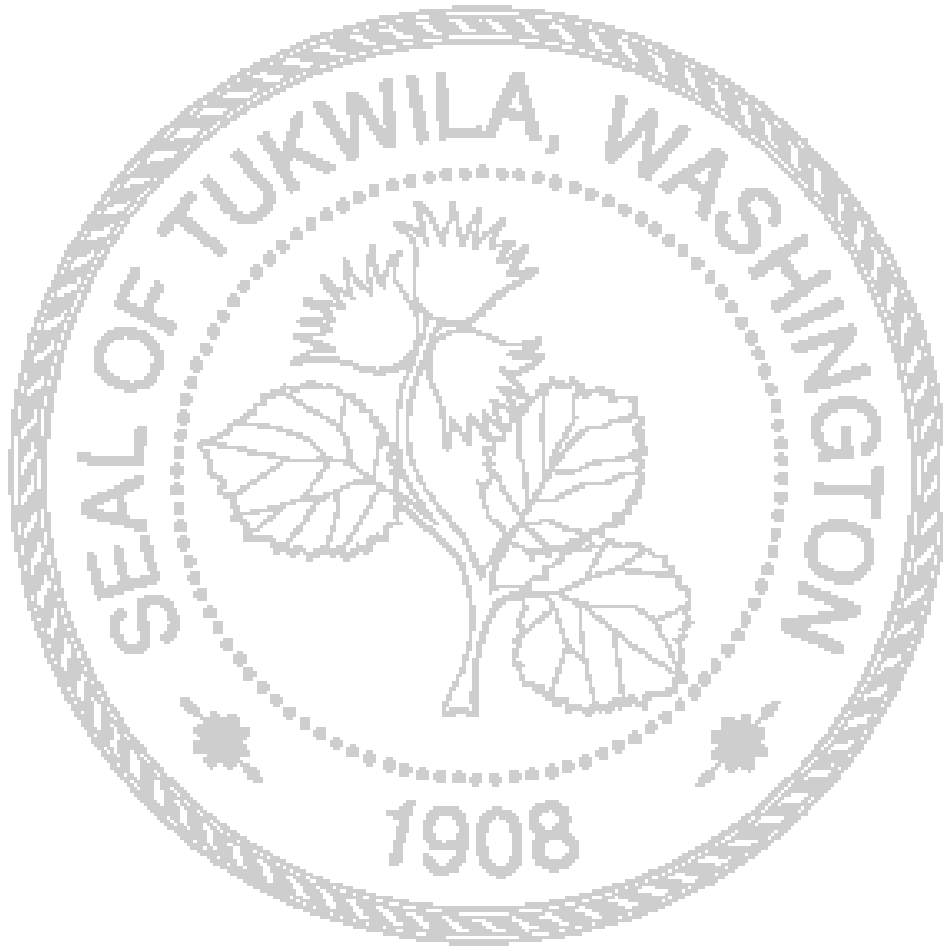
**FIRE EQUIPMENT CUMULATIVE RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2005**

DESCRIPTION	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0
Investment Income	3,000	3,000	18,033	15,033
Miscellaneous	1,000	1,000	100	(900)
TOTAL REVENUES	4,000	4,000	18,133	14,133
EXPENDITURES				
Current:				
Public Safety	2,000	2,000	0	2,000
Transportation	0	0	0	0
Capital Outlay	0	0	0	0
TOTAL EXPENDITURES	2,000	2,000	0	2,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,000	2,000	18,133	16,133
OTHER FINANCING SOURCES (USES)				
Transfers In	150,000	150,000	150,000	0
Transfers (Out)	0	0	0	0
TOTAL OTHER FINANCING SOURCES AND (USES)	150,000	150,000	150,000	0
Net Change in Fund Balance	152,000	152,000	168,133	16,133
Fund Balance - Beginning	456,000	456,000	456,721	721
FUND BALANCE - ENDING	\$ 608,000	\$ 608,000	\$ 624,854	\$ 16,854



City of Tukwila

Combining and Individual Fund Statements



NONMAJOR GOVERNMENTAL FUNDS

Debt Service Funds

Debt Service Funds are used to account for payment of principal and interest on general obligation long-term debt. The City maintains Debt Service Funds to provide debt service payments on General Obligation Bonds both voted and councilmanic.

Limited Tax G.O. 1999 - This fund provides payment to the Fiscal Agent for principal and interest payments required per the debt service schedule for purchase of an additional City Hall Annex and economic revitalization projects. Revenues are provided by allocation of sales tax proceeds.

Limited Tax G.O. 2000 - This fund provides payment to the Fiscal Agent for principal and interest payments required per the debt service schedule for the City of Tukwila's portion of a new Valley Communications Center along with four other cities. Revenues are provided by allocation of sales tax proceeds.

Limited Tax G.O. 2003 - This fund provides payment to the Fiscal Agent for principal and interest payments required per the debt service schedule for the City of Tukwila's Arterial Street program. Revenues are provided by allocation of sales tax proceeds.

Limited Tax G.O. Refunding 2003 - This fund provides payment to the Fiscal Agent for principal and interest payments required per the debt service schedule for the refunded Limited Tax G.O. 1994 Bonds for the construction of a new Community Center and replacement Fire Station. Revenues are provided by allocation of sales tax proceeds.

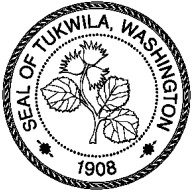


**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005**

DESCRIPTION	DEBT SERVICE				TOTAL NONMAJOR DEBT SERVICE FUNDS
	LIMITED TAX G.O. 1999	LIMITED TAX G.O. 2000	LIMITED TAX G.O. 2003	LIMITED TAX G.O. REFUNDING BONDS 2003	
ASSETS					
Cash and Cash Equivalents	\$ 3,862	\$ 7,884	\$ 62,527	\$ 4,522	\$ 78,795
Investments	295,000	145,000	192,000	239,000	871,000
Receivables:					
Taxes	176,126	0	73,833	105,485	355,444
TOTAL ASSETS	\$ 474,988	\$ 152,884	\$ 328,360	\$ 349,007	\$ 1,305,239
FUND BALANCES:					
Unreserved - Undesignated	474,988	152,884	328,360	349,007	1,305,239
TOTAL FUND BALANCES	\$ 474,988	\$ 152,884	\$ 328,360	\$ 349,007	\$ 1,305,239

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005**

DESCRIPTION	DEBT SERVICE				
	LIMITED TAX G.O. 1999	LIMITED TAX G.O. 2000	LIMITED TAX G.O. 2003	LIMITED TAX G.O. REFUNDING BONDS 2003	TOTAL NONMAJOR DEBT SERVICE FUNDS
REVENUES					
Taxes	\$ 869,376	\$ 0	\$ 364,447	\$ 520,687	\$ 1,754,510
Intergovernmental	0	250,812	0	0	250,812
Investment Income	15,316	4,714	6,602	10,787	37,419
TOTAL REVENUES	884,692	255,526	371,049	531,474	2,042,741
EXPENDITURES					
Debt Service:					
Principal	380,000	146,000	0	325,000	851,000
Interest	451,142	104,812	272,410	165,500	993,864
TOTAL EXPENDITURES	831,142	250,812	272,410	490,500	1,844,864
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	53,550	4,714	98,639	40,974	197,877
Net Change in Fund Balances	53,550	4,714	98,639	40,974	197,877
Fund Balances - Beginning	421,438	148,170	229,721	308,033	1,107,362
FUND BALANCES - ENDING	\$ 474,988	\$ 152,884	\$ 328,360	\$ 349,007	\$ 1,305,239



City of Tukwila

Combining Statements - Nonmajor Governmental Funds

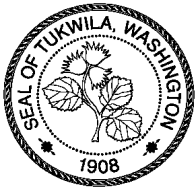
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**LIMITED TAX G.O. BONDS, 1999
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2005**

DESCRIPTION	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 835,000	\$ 835,000	\$ 869,376	\$ 34,376
Intergovernmental	0	0	0	0
Investment Income	5,000	5,000	15,316	10,316
TOTAL REVENUES	840,000	840,000	884,692	44,692
EXPENDITURES				
Debt Service:				
Principal	380,000	380,000	380,000	0
Interest	451,035	451,035	451,142	(107)
TOTAL EXPENDITURES	831,035	831,035	831,142	(107)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8,965	8,965	53,550	44,585
Net Change in Fund Balance	8,965	8,965	53,550	44,585
Fund Balance - Beginning	386,000	386,000	421,438	35,438
FUND BALANCE - ENDING	\$ 394,965	\$ 394,965	\$ 474,988	\$ 80,023

**LIMITED TAX G.O. BONDS, 2000
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2005**

DESCRIPTION	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental	250,000	250,000	250,812	812
Investment Income	2,000	2,000	4,714	2,714
TOTAL REVENUES	252,000	252,000	255,526	3,526
EXPENDITURES				
Debt Service:				
Principal	146,000	146,000	146,000	0
Interest	104,812	104,812	104,812	0
TOTAL EXPENDITURES	250,812	250,812	250,812	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,188	1,188	4,714	3,526
Net Change in Fund Balance	1,188	1,188	4,714	3,526
Fund Balance - Beginning	149,000	149,000	148,170	(830)
FUND BALANCE - ENDING	\$ 150,188	\$ 150,188	\$ 152,884	\$ 2,696

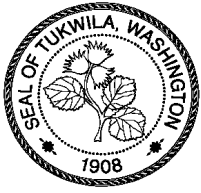


**LIMITED TAX G.O. BONDS, 2003
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2005**

DESCRIPTION	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 350,000	\$ 350,000	\$ 364,447	\$ 14,447
Intergovernmental	0	0	0	0
Investment Income	2,000	2,000	6,602	4,602
TOTAL REVENUES	352,000	352,000	371,049	19,049
EXPENDITURES				
Debt Service:				
Principal	0	0	0	0
Interest	273,000	273,000	272,410	590
TOTAL EXPENDITURES	273,000	273,000	272,410	590
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	79,000	79,000	98,639	19,639
Net Change in Fund Balance	79,000	79,000	98,639	19,639
Fund Balance - Beginning	214,000	214,000	229,721	15,721
FUND BALANCE - ENDING	\$ 293,000	\$ 293,000	\$ 328,360	\$ 35,360

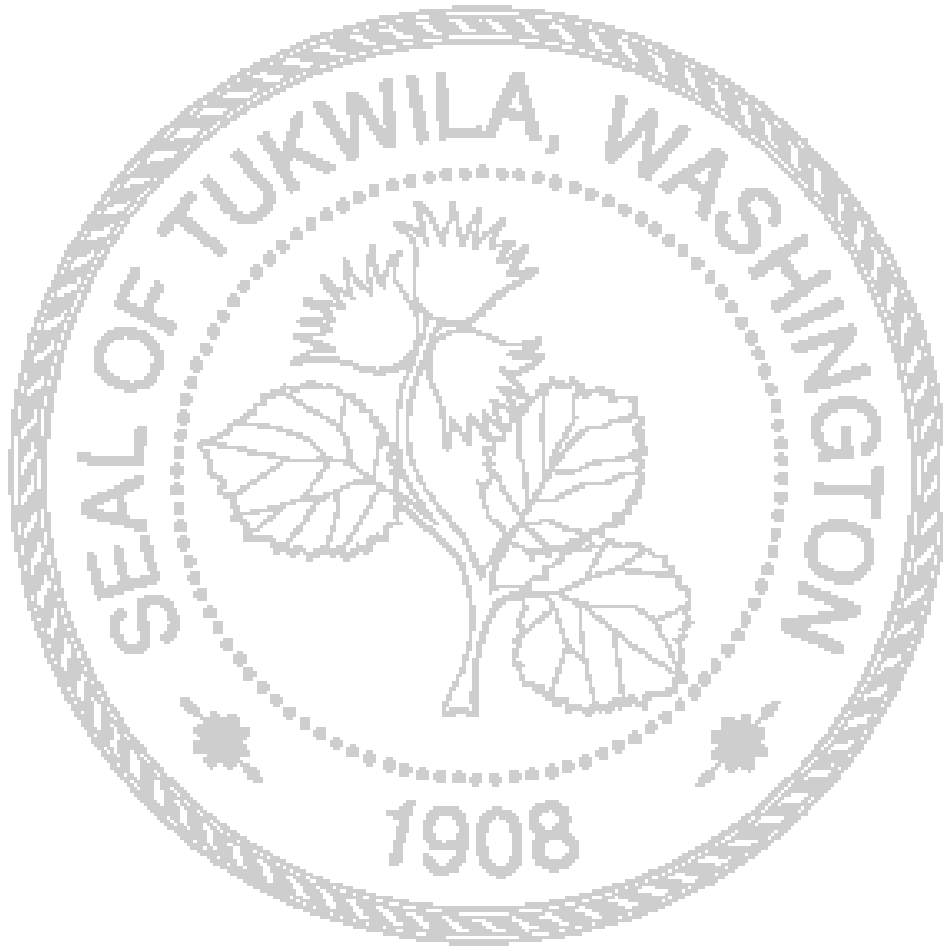
**LIMITED TAX G.O. REFUNDING BONDS, 2003
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2005**

DESCRIPTION	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 500,000	\$ 500,000	\$ 520,687	\$ 20,687
Intergovernmental	0	0	0	0
Investment Income	3,000	3,000	10,787	7,787
TOTAL REVENUES	503,000	503,000	531,474	28,474
EXPENDITURES				
Debt Service:				
Principal	325,000	325,000	325,000	0
Interest	166,779	166,779	165,500	1,279
TOTAL EXPENDITURES	491,779	491,779	490,500	1,279
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	11,221	11,221	40,974	29,753
Net Change in Fund Balance	11,221	11,221	40,974	29,753
Fund Balance - Beginning	285,000	285,000	308,033	23,033
FUND BALANCE - ENDING	\$ 296,221	\$ 296,221	\$ 349,007	\$ 52,786



City of Tukwila

Combining Statements - Nonmajor Governmental Funds



NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Funds

Capital Projects Funds account for the acquisition or development of major capital facilities, except those projects financed by proprietary funds. Sources of revenue to these funds include general obligation bond proceeds, federal and state grants, general property taxes, real estate excise taxes, sales taxes, interest earnings, and transfers from other funds.

Land Acquisition, Recreation and Park Development Fund - This special fund is to be used for the acquisition of land, development of land, and construction of park facilities. Street, Utility, Golf Course improvements, or general government facilities improvements are not included in this fund.

Facility Replacement Fund - This fund was established in 1988 for the replacement of existing general government facilities.

General Government Improvements - This fund was established in 1992 to provide funding for minor capital improvements not related to parks, land acquisition, or major building replacements.



**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005**

DESCRIPTION	CAPITAL PROJECTS				TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
	LAND ACQUISITION, RECREATION AND PARK DEVELOPMENT	FACILITY REPLACEMENT	GENERAL GOVERNMENT IMPROVEMENTS		
ASSETS					
Cash and Cash Equivalents	\$ 79,617	\$ 517,340	\$ 65,154	\$	662,111
Investments	1,880,868	1,756,148	1,128,935		4,765,951
Receivables:					
Taxes	177,008	3,659	105,485		286,152
Interest on Investments	4,569	3,455	2,173		10,197
Due From Other Governmental Units	0	0	10,995		10,995
TOTAL ASSETS	\$ 2,142,062	\$ 2,280,602	\$ 1,312,742	\$	5,735,406
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 0	\$ 0	\$ 40,014	\$	40,014
Other Current Liabilities	11,280	2,500	0		13,780
Deferred Revenues	0	3,659	0		3,659
TOTAL LIABILITIES	11,280	6,159	40,014		57,453
FUND BALANCES:					
Unreserved - Undesignated	2,130,782	2,274,443	1,272,728		5,677,953
TOTAL FUND BALANCES	2,130,782	2,274,443	1,272,728		5,677,953
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,142,062	\$ 2,280,602	\$ 1,312,742	\$	5,735,406

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2005**

DESCRIPTION	CAPITAL PROJECTS				TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
	LAND ACQUISITION, RECREATION AND PARK DEVELOPMENT	FACILITY REPLACEMENT	GENERAL GOVERNMENT IMPROVEMENTS		
REVENUES					
Taxes	\$ 1,138,557	\$ 132,786	\$ 520,687	\$	1,792,030
Intergovernmental	50,000	0	20,925		70,925
Investment Income	45,553	54,700	35,718		135,971
Miscellaneous	255,172	38,847	0		294,019
TOTAL REVENUES	1,489,282	226,333	577,330		2,292,945
EXPENDITURES					
Current:					
Physical Environment	0	6,952	157,112		164,064
Culture and Recreation	84,310	0	0		84,310
Capital Outlay	184,689	8,682	265,426		458,797
TOTAL EXPENDITURES	268,999	15,634	422,538		707,171
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,220,283	210,699	154,792		1,585,774
Net Change in Fund Balances	1,220,283	210,699	154,792		1,585,774
Fund Balances - Beginning	910,499	2,063,744	1,117,936		4,092,179
FUND BALANCES - ENDING	\$ 2,130,782	\$ 2,274,443	\$ 1,272,728	\$	5,677,953



City of Tukwila

Combining Statements - Nonmajor Governmental Funds

Page 1 of 3

LAND ACQUISITION, RECREATION AND PARK DEVELOPMENT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET (GAAP BASIS) AND ACTUAL For the Year Ended December 31, 2005

DESCRIPTION	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 962,000	\$ 962,000	\$ 1,138,557	\$ 176,557
Intergovernmental	108,000	108,000	50,000	(58,000)
Investment Income	10,000	10,000	45,553	35,553
Miscellaneous	334,000	334,000	255,172	(78,828)
TOTAL REVENUES	1,414,000	1,414,000	1,489,282	75,282
EXPENDITURES				
Current:				
Physical Environment	0	0	0	0
Culture and Recreation	148,500	148,500	84,310	64,190
Capital Outlay	1,625,000	1,625,000	184,689	1,440,311
TOTAL EXPENDITURES	1,773,500	1,773,500	268,999	1,504,501
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(359,500)	(359,500)	1,220,283	1,579,783
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	0	0	0	0
TOTAL OTHER FINANCING SOURCES AND (USES)	0	0	0	0
Net Change in Fund Balance	(359,500)	(359,500)	1,220,283	1,579,783
Fund Balance - Beginning	1,098,000	1,098,000	910,499	(187,501)
FUND BALANCE - ENDING	\$ 738,500	\$ 738,500	\$ 2,130,782	\$ 1,392,282

**FACILITY REPLACEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2005**

DESCRIPTION	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 130,000	\$ 130,000	\$ 132,786	\$ 2,786
Intergovernmental	0	0	0	0
Investment Income	3,000	3,000	54,700	51,700
Miscellaneous	40,000	40,000	38,847	(1,153)
TOTAL REVENUES	173,000	173,000	226,333	53,333
EXPENDITURES				
Current:				
Physical Environment	125,000	125,000	6,952	118,048
Culture and Recreation	0	0	0	0
Capital Outlay	688,000	688,000	8,682	679,318
TOTAL EXPENDITURES	813,000	813,000	15,634	797,366
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(640,000)	(640,000)	210,699	850,699
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	3,500,000	3,500,000	0	(3,500,000)
TOTAL OTHER FINANCING SOURCES AND (USES)	3,500,000	3,500,000	0	(3,500,000)
Net Change in Fund Balance	2,860,000	2,860,000	210,699	(2,649,301)
Fund Balance - Beginning	2,002,000	2,002,000	2,063,744	61,744
FUND BALANCE - ENDING	\$ 4,862,000	\$ 4,862,000	\$ 2,274,443	\$ (2,587,557)



City of Tukwila

Combining Statements - Nonmajor Governmental Funds

Page 3 of 3

GENERAL GOVERNMENT IMPROVEMENTS SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET (GAAP BASIS) AND ACTUAL For the Year Ended December 31, 2005

DESCRIPTION	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 500,000	\$ 500,000	\$ 520,687	\$ 20,687
Intergovernmental	20,000	20,000	20,925	925
Investment Income	5,000	5,000	35,718	30,718
Miscellaneous	0	0	0	0
TOTAL REVENUES	525,000	525,000	577,330	52,330
EXPENDITURES				
Current:				
Physical Environment	92,000	92,000	157,112	(65,112)
Culture and Recreation	0	0	0	0
Capital Outlay	1,220,000	1,220,000	265,426	954,574
TOTAL EXPENDITURES	1,312,000	1,312,000	422,538	889,462
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(787,000)	(787,000)	154,792	941,792
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	0	0	0	0
TOTAL OTHER FINANCING SOURCES AND (USES)	0	0	0	0
Net Change in Fund Balance	(787,000)	(787,000)	154,792	941,792
Fund Balance - Beginning	1,037,000	1,037,000	1,117,936	80,936
FUND BALANCE - ENDING	\$ 250,000	\$ 250,000	\$ 1,272,728	\$ 1,022,728

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of special services performed by designated organizations within the City of Tukwila to other organizations within the City. They provide a service and then generate revenue by billing the organization for which the service was provided.

EQUIPMENT RENTAL FUND

Accounts for the costs of maintaining and replacing all City vehicles and auxiliary equipment except for major fire apparatus. All equipment costs, including depreciation, are factors in calculating the rates which are charged to each user department.

INSURANCE FUND

Accounts for the costs of the City's self-insured medical plan. Medical and dental costs for covered employees are charged to the respective user departments. All premiums, medical and dental costs and ancillary charges are included. The LEOFF I retiree portion of this program was split off into a separate Insurance Fund to accommodate new reporting regulations as of January 1, 2004.

INSURANCE - LEOFF I FUND

This fund was created to account for the City's self-insured medical plan for LEOFF I retirees. This fund receives contributions on behalf of retired LEOFF I employees through their respective organization units. Medical, dental and prescription claims and program administrative fees are expensed in this fund.



**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
As of December 31, 2005**

DESCRIPTION	EQUIPMENT RENTAL	INSURANCE	INSURANCE - LEOFF I	TOTAL
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 105,930	\$ 2,054	\$ 71,029	\$ 179,013
Investments	3,154,141	478,000	625,000	4,257,141
Receivables:				
Customer Accounts	0	7,108	0	7,108
Interest on Investments	19,481	0	0	19,481
Materials Inventory	45,300	0	0	45,300
Total Current Assets	3,324,852	487,162	696,029	4,508,043
Noncurrent Assets:				
Capital Assets:				
Machinery and Equipment	6,866,815	0	0	6,866,815
Less: Accumulated Depreciation	(4,580,789)	0	0	(4,580,789)
Total Capital Assets (net of accumulated depreciation)	2,286,026	0	0	2,286,026
Total Assets	5,610,878	487,162	696,029	6,794,069
LIABILITIES				
Current Liabilities:				
Other Current Liabilities	0	746,749	78,784	825,533
Total Current Liabilities	0	746,749	78,784	825,533
NET ASSETS				
Invested in Capital Assets	2,286,026	0	0	2,286,026
Unrestricted	3,324,852	(259,587)	617,245	3,682,510
TOTAL NET ASSETS	\$ 5,610,878	\$ (259,587)	\$ 617,245	\$ 5,968,536

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
For the Year Ended December 31, 2005

DESCRIPTION	EQUIPMENT RENTAL	INSURANCE	INSURANCE - LEOFF I	TOTAL
OPERATING REVENUES				
Charges for Services	\$ 1,575,849	\$ 3,628,395	\$ 430,341	\$ 5,634,585
Other Operating Revenues	16,277	815	0	17,092
Total Operating Revenues	1,592,126	3,629,210	430,341	5,651,677
OPERATING EXPENSES				
Operations and Maintenance	875,693	3,865,022	426,447	5,167,162
Administrative and General	151,992	0	0	151,992
Depreciation	576,742	0	0	576,742
Total Operating Expenss	1,604,427	3,865,022	426,447	5,895,896
Operating Income (Loss)	(12,301)	(235,812)	3,894	(244,219)
NONOPERATING REVENUES (EXPENSES):				
Investment Income	85,831	19,673	19,847	125,351
Gain (Loss) on Sale of Capital Assets	71,176	0	0	71,176
Total Nonoperating Revenues (Expenses)	157,007	19,673	19,847	196,527
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	144,706	(216,139)	23,741	(47,692)
Capital Contributions	78,314	0	0	78,314
Transfers In	114,693	0	0	114,693
Change in Net Assets	337,713	(216,139)	23,741	145,315
Total Net Assets - Beginning	5,273,165	(43,448)	593,504	5,823,221
Total Net Assets - Ending	\$ 5,610,878	\$ (259,587)	\$ 617,245	\$ 5,968,536



**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2005**

DESCRIPTION	EQUIPMENT RENTAL	INSURANCE	INSURANCE - LEOFF I	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Quasi-External Transactions	\$ 1,575,849	\$ 3,628,395	\$ 430,341	\$ 5,634,585
Cash Payments to Suppliers	(600,090)	(3,779,420)	(396,028)	(4,775,538)
Cash Payments to Employees and Retirees	(280,668)	0	0	(280,668)
Cash Payments for Interfund Services Used	(151,992)	0	0	(151,992)
Other Operating Receipts	16,277	815	0	17,092
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	559,376	(150,210)	34,313	443,479
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from Sales of Capital Assets	71,176	0	0	71,176
Acquisition and Construction of Capital Assets	(601,580)	0	0	(601,580)
Capital Transfers In From Other Funds	95,000	0	0	95,000
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(435,404)	0	0	(435,404)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from Sales and Maturities of Investments	400,000	230,000	100,000	730,000
Purchase of Investments	(590,000)	(100,000)	(125,000)	(815,000)
Interest on Investments	109,081	19,673	19,847	148,601
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(80,919)	149,673	(5,153)	63,601
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	43,053	(537)	29,160	71,676
CASH AND CASH EQUIVALENTS, JANUARY 1	62,877	2,591	41,869	107,337
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 105,930	\$ 2,054	\$ 71,029	\$ 179,013
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	(12,301)	(235,812)	3,894	(244,219)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	576,742	0	0	576,742
(Increase) Decrease in Accounts Receivable	0	(7,108)	0	(7,108)
(Increase) Decrease in Inventory	12,400	0	0	12,400
Increase (Decrease) in Accounts Payable	(17,465)	0	0	(17,465)
Increase (Decrease) in Other Current Liabilities	0	92,710	30,419	123,129
Total Adjustments	571,677	85,602	30,419	687,698
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	\$ 559,376	\$ (150,210)	\$ 34,313	\$ 443,479
NON CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Capital Assets Contributed From Other Funds	\$ 78,314	\$ 0	\$ 0	\$ 78,314
Capital Assets Transfers In From Other Funds	19,693	0	0	19,693
Change in Fair Value of Investments	(58,288)	0	0	(58,288)

STATISTICAL TABLES

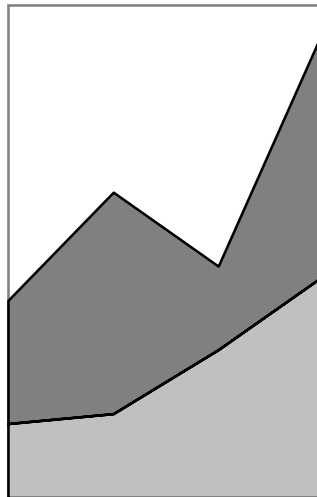
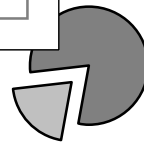
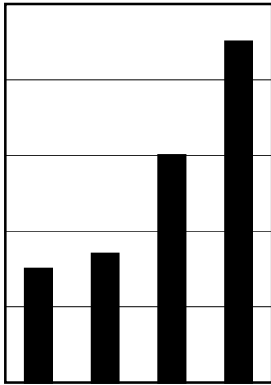


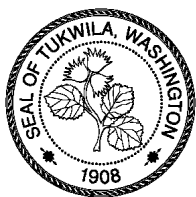


TABLE 1
GOVERNMENT-WIDE EXPENSES BY FUNCTION
December 31, 2005

FISCAL YEAR	GENERAL GOVERNMENT	PUBLIC SAFETY	PHYSICAL ENVIRONMENT	TRANSPORTATION	ECONOMIC ENVIRONMENT	CULTURE & RECREATION	INTEREST ON LONG-TERM DEBT	WATER/SEWER UTILITY	FOSTER GOLF COURSE	SURFACE WATER UTILITY	TOTAL
2002	\$ 5,622,413	\$ 16,824,082	\$ 1,736,826	\$ 3,742,931	\$ 2,982,802	\$ 2,756,612	\$ 907,840	\$ 6,693,879	\$ 1,372,536	\$ 1,480,645	\$ 44,120,566
2003	6,038,146	18,172,209	2,022,722	6,524,495	3,437,515	3,377,383	937,177	6,673,319	1,255,562	1,671,519	50,110,047
2004	6,167,738	18,769,074	1,442,209	4,962,043	3,469,673	3,680,402	1,034,841	6,774,102	1,670,400	1,625,579	49,596,061
2005	6,421,839	20,300,709	1,363,049	4,171,173	3,404,605	3,887,871	1,012,239	7,105,020	1,751,709	1,685,663	51,103,877

Note: Future Comprehensive Annual Financial Reports will build the required ten-year history one-year at a time.

Source: City of Tukwila Finance Department



City of Tukwila

Statistical Section

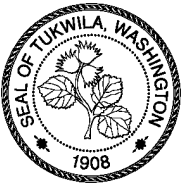
TABLE 2

GOVERNMENT-WIDE REVENUES December 31, 2005

PROGRAM REVENUES				GENERAL REVENUES				
FISCAL YEAR	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TAXES	STATE ENTITLEMENTS, IMPACT FEES, IN-LIEU TAXES	UNRESTRICTED INVESTMENT EARNINGS	GAIN ON SALES OF CAPITAL ASSETS	TOTAL
2002	\$ 12,783,148	\$ 2,513,119	\$ 15,905,423	\$ 28,366,651	\$ 154,832	\$ 1,528,127	\$ 209,554	\$ 61,460,854
2003	13,403,182	1,612,016	19,500,879	32,781,485	170,477	525,443	19,035	68,012,517
2004	15,379,051	1,607,688	4,294,315	35,501,923	191,589	604,725	0	57,579,291
2005	15,440,792	1,525,579	3,380,399	36,194,166	192,816	1,078,847	106,776	57,919,375

Note: Future Comprehensive Annual Financial Reports will build the required ten-year history one-year at a time.

Source: City of Tukwila Finance Department



City of Tukwila

Statistical Section

Table 3

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
GENERAL, SPECIAL REVENUE, DEBT SERVICE AND CAPITAL PROJECTS FUNDS
Last Ten Fiscal Years**

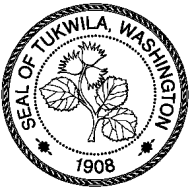
FISCAL YEAR	GENERAL GOVERNMENT AND CAPITAL OUTLAY	PUBLIC SAFETY	PHYSICAL ENVIRONMENT	TRANSPOR- TATION	ECONOMIC ENVIRONMENT	CULTURE AND RECREATION	DEBT SERVICE	TOTAL
1996	\$ 12,958,598	\$ 12,543,229	\$ 324,545	\$ 9,870,068	\$ 1,829,597	\$ 1,359,302	\$ 852,848	\$ 39,738,187
1997	5,689,907	13,022,989	273,681	10,425,075	1,886,218	1,523,813	876,487	33,698,170
1998	8,806,974	14,084,467	319,715	6,045,566	2,167,090	1,636,133	718,062	33,778,007
1999	8,148,813	14,208,347	581,748	7,422,785	2,288,920	1,814,778	993,963	35,459,354
2000	11,607,077	15,333,820	1,060,844	6,164,057	2,362,230	1,953,756	1,446,437	39,928,221
2001	8,551,438	16,427,388	805,029	7,004,603	2,736,385	2,128,487	1,666,365	39,319,695
2002	22,954,891	16,711,088	1,228,774	2,202,888	2,974,513	2,457,973	1,643,414	50,173,541
2003	21,529,694	17,532,136	1,509,946	4,779,885	3,429,674	2,985,083	1,791,327	53,557,745
2004	14,039,664	18,393,514	883,914	2,620,038	3,461,092	3,187,113	1,861,974	44,447,309
2005	13,480,866	19,604,151	788,105	1,705,692	3,384,928	3,358,583	1,884,474	44,206,799

Source: City of Tukwila Finance Department

Table 4
GENERAL GOVERNMENTAL REVENUES BY SOURCE
GENERAL, SPECIAL REVENUE, DEBT SERVICE,
AND CAPITAL PROJECTS FUNDS
Last Ten Fiscal Years

FISCAL YEAR	TAXES	LICENSES AND PERMITS	INTERGOV- ERNMENTAL	CHARGES FOR SERVICES	FINES AND FORFEITURES	INTEREST INCOME AND MISC.	TOTAL
1996	\$ 23,059,414	\$ 566,666	\$ 4,335,962	\$ 582,853	\$ 206,373	\$ 1,668,201	\$ 30,419,469
1997	22,400,139	593,765	5,242,355	745,455	236,763	3,798,959	33,017,436
1998	24,007,362	777,903	3,421,798	1,013,912	283,047	2,438,761	31,942,783
1999	27,463,875	926,208	5,226,452	1,158,173	340,671	1,677,626	36,793,005
2000	30,929,517	1,439,052	4,069,706	1,857,182	323,919	2,634,930	41,254,306
2001	28,943,871	921,809	4,215,249	1,232,149	285,000	2,353,815	37,951,893
2002	28,156,041	822,810	16,689,193	1,201,080	338,484	1,349,571	48,557,179
2003	31,986,222	785,823	15,005,227	1,796,946	245,585	1,288,707	51,108,510
2004	34,148,173	808,821	6,306,463	2,919,115	147,137	1,350,011	45,679,720
2005	34,624,875	1,002,683	5,672,810	2,649,678	116,737	1,638,971	45,705,754

Source: City of Tukwila Finance Department



City of Tukwila

Statistical Section

Table 5

PROPERTY TAX LEVIES AND COLLECTIONS Last Ten Fiscal Years

FISCAL YEAR	TOTAL TAX LEVY	CURRENT TAX COLLECTIONS	PERCENT OF LEVY COLLECTED	DELINQUENT TAX COLLECTIONS	TOTAL TAX COLLECTIONS	% OF TOTAL TAX COLLECTIONS TO TAX LEVY
1996	\$7,632,364	\$7,191,379	94.22%	\$104,512	\$7,295,891	95.59%
1997	7,379,517	7,043,064	95.44%	100,937	7,144,001	96.81%
1998	7,568,112	7,347,855	97.09%	121,283	7,469,138	98.69%
1999	7,993,365	7,745,197	96.90%	155,305	7,900,502	98.84%
2000	8,538,884	8,273,834	96.90%	104,306	8,378,140	98.12%
2001	9,362,284	9,222,917	98.51%	103,419	9,326,336	99.62%
2002	9,843,102	9,380,068	95.30%	107,173	9,487,241	96.38%
2003	10,136,315	9,701,178	95.71%	152,829	9,854,007	97.21%
2004	10,489,114	10,228,549	97.52%	265,163	10,493,712	100.04%
2005	10,731,724	10,511,488	97.95%	115,922	10,627,410	99.03%

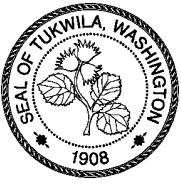
Source: King County Office of Finance

Table 6

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years**

FISCAL YEAR	REAL PROPERTY	PERSONAL PROPERTY	PUBLIC UTILITIES	TOTAL ASSESSED VALUE	ESTIMATED ACTUAL VALUE	RATIO OF TOTAL ASSESSED TO TOTAL ESTIMATED ACTUAL VALUE
1996	\$ 1,880,054,740	\$ 450,655,213	\$ 49,824,047	\$ 2,380,534,000	\$ 2,380,534,000	100%
1997	1,914,169,506	468,920,180	49,050,958	2,432,140,644	2,432,140,644	100%
1998	1,997,951,558	530,184,641	47,373,878	2,575,510,077	2,575,510,077	100%
1999	2,112,275,730	579,434,372	55,946,225	2,747,656,327	2,747,656,327	100%
2000	2,349,904,622	580,108,305	74,515,846	3,004,528,773	3,004,528,773	100%
2001	2,544,588,267	606,806,225	192,651,250	3,344,045,742	3,344,045,742	100%
2002	2,715,355,120	604,479,409	169,870,128	3,489,704,657	3,489,704,657	100%
2003	2,832,422,720	471,448,140	80,219,849	3,384,090,709	3,384,090,709	100%
2004	2,916,855,190	447,099,099	77,169,236	3,441,123,525	3,441,123,525	100%
2005	3,091,233,279	457,546,448	61,779,040	3,610,558,767	3,610,558,767	100%

Source: King County Department of Assessments



City of Tukwila

Statistical Section

Table 7

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (per \$1,000 of Assessed Valuation) Last Ten Fiscal Years

-----CITY OF TUKWILA-----							EMERGENCY	TUKWILA	GREEN RIVER		
FISCAL YEAR	GENERAL LEVY	SPECIAL LEVY	TOTAL	WASH. STATE	*KING COUNTY	PORT OF SEATTLE	MEDICAL SERVICE	SCHOOL DIST. #406	FLOOD CONTROL	HOSPITAL DIST. #1	TOTAL
1996	3.10000	0.11043	3.21043	3.49966	2.82953	0.29211	0.24987	5.10456	0.04977	0.15698	15.39291
1997	3.10000	0.01000	3.11000	3.51138	1.85109	0.26466	0.00000	4.84901	0.05036	0.15934	13.79584
1998	3.10000	0.00000	3.10000	3.35872	1.77385	0.23898	0.29000	6.80157	0.05325	0.15354	15.76991
1999	3.10000	0.00000	3.10000	3.30278	1.68951	0.21585	0.27299	5.91717	0.05209	0.11830	14.66869
2000	3.11256	0.00000	3.11256	3.14502	2.10955	0.19029	0.24624	5.54167	0.04957	0.09873	14.49363
2001	2.94537	0.00000	2.94537	2.98946	1.97530	0.18956	0.25000	5.11395	0.04665	0.09643	13.60672
2002	2.91064	0.00000	2.91064	2.89680	1.34948	0.25895	0.24143	4.85812	0.04688	0.09254	12.65484
2003	3.10754	0.00000	3.10754	2.75678	1.96799	0.25402	0.23717	5.05267	0.04669	0.09200	13.51486
2004	3.11712	0.00000	3.11712	2.68951	1.91484	0.25321	0.23182	5.04535	0.04658	0.09039	13.38882
2005	3.03706	0.00000	3.03706	2.49787	1.86293	0.23330	0.21982	5.01637	0.04482	0.59000	13.50217

* Includes King County Library District tax.

Source: King County Department of Assessments

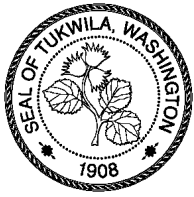
Table 8

**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA
Last Ten Fiscal Years**

FISCAL YEAR	POPULATION	ASSESSED VALUE	GROSS BONDED DEBT	LESS DEBT SERVICE FUNDS	DEBT PAYABLE FROM ENTERPRISE REVENUES *	NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
1996	14,880	\$ 2,380,534,000	\$ 6,220,000	\$ 230,182	\$ 0	\$ 5,989,818	0.25%	\$ 403
1997	14,930	2,432,140,644	5,750,000	133,972	0	5,616,028	0.23%	376
1998	14,990	2,575,510,077	5,390,000	1,280	0	5,388,720	0.21%	359
1999	14,840	2,747,656,327	15,170,000	1,614	0	15,168,386	0.55%	1,022
2000	17,181	3,004,528,773	17,226,600	370,112	0	16,856,488	0.56%	981
2001	17,230	3,344,045,742	16,565,000	410,844	0	16,154,156	0.48%	938
2002	17,270	3,489,704,657	15,847,000	389,322	0	15,457,678	0.44%	895
2003	17,270	3,384,090,709	27,168,000	809,012	5,772,500	20,586,488	0.61%	1,192
2004	17,240	3,441,123,525	25,974,000	1,107,362	5,382,500	19,484,138	0.57%	1,130
2005	17,110	3,610,558,767	24,713,000	1,305,239	4,972,500	18,435,261	0.51%	1,077

* These amounts are the general obligation bonds that are being repaid by the Foster Golf Course Fund.

Sources: State of Washington Office of Financial Management
King County Department of Assessments
City of Tukwila Finance Department



City of Tukwila

Statistical Section

Table 9

COMPUTATION OF LEGAL DEBT MARGIN December 31, 2005

	General Capacity		Special Purpose Capacity		
	COUNCILMANIC	EXCESS LEVY	UTILITY PURPOSES	PARKS AND OPEN SPACE	TOTAL CAPACITY
December 31, 2005 Assessed Value:	\$3,610,558,767				
2.50% of Assessed Value	\$ 0	\$ 90,263,969	\$ 90,263,969	\$ 90,263,969	\$ 270,791,907
1.50% of Assessed Value	54,158,382	(54,158,382)	0	0	0
Statutory Debt Limit	\$ 54,158,382	\$ 36,105,587	\$ 90,263,969	\$ 90,263,969	\$ 270,791,907
Debt Outstanding	\$ 24,713,000	\$ 0	\$ 0	\$ 0	\$ 24,713,000
Less Amount Available in Debt Service Fund	1,305,239	0	0	0	1,305,239
Net Debt Outstanding	\$ 23,407,761	\$ 0	\$ 0	\$ 0	\$ 23,407,761
Remaining Debt Capacity	\$ 30,750,621	\$ 36,105,587	\$ 90,263,969	\$ 90,263,969	\$ 247,384,146

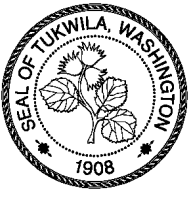
Sources: City of Tukwila Finance Department
King County Department of Assessments

Table 10

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
December 31, 2005

JURISDICTION	NET GENERAL OBLIGATION DEBT OUTSTANDING	PERCENTAGE APPLICABLE TO TUKWILA	ESTIMATED AMOUNT APPLICABLE TO TUKWILA
Direct:			
City of Tukwila	\$ 23,407,761	100.00%	\$ 23,407,761
Overlapping:			
King County	900,699,000	1.39%	12,519,716
King County Library	85,891,157	1.25%	1,073,639
Port of Seattle	380,225,000	1.39%	5,285,128
Tukwila School District #406	44,854,942	88.24%	39,580,001
Hospital District #1	44,710,000	4.68%	2,092,428
Total Overlapping Debt:	1,456,380,099		60,550,912
Total Direct and Overlapping Debt:	<u>\$ 1,479,787,860</u>		<u>\$ 83,958,673</u>

*Sources: King County Office of Finance
King County Office of Assessments*



City of Tukwila

Statistical Section

Table 11

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
Last Ten Fiscal Years**

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL DEBT SERVICE	TOTAL GENERAL EXPENDITURES *	RATIO OF DEBT SERVICE TO GENERAL EXPENDITURES
1996	\$ 445,000	\$ 351,932	\$ 796,932	\$ 39,738,187	2.01%
1997	470,000	330,240	800,240	33,698,170	2.37%
1998	360,000	306,868	666,868	33,778,007	1.97%
1999	220,000	292,995	512,995	35,459,354	1.45%
2000	495,000	851,965	1,346,965	39,928,221	3.37%
2001	661,600	934,342	1,595,942	39,319,695	4.06%
2002	718,000	881,531	1,599,531	50,173,541	3.19%
2003	754,000	897,214	1,651,214	53,557,745	3.08%
2004	804,000	1,041,437	1,845,437	44,447,309	4.15%
2005	851,000	1,033,474	1,884,474	44,206,799	4.26%

* Includes General, Special Revenue, Debt Service and Capital Projects Funds.

Source: City of Tukwila Finance Department

Table 12

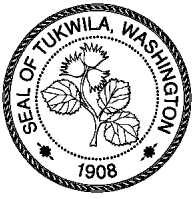
REVENUE BOND COVERAGE - WATER AND SEWER BONDS
Last Ten Fiscal Years

FISCAL YEAR	GROSS REVENUE*	OPERATING EXPENSES**	NET REVENUE AVAILABLE FOR DEBT SERVICE	AVERAGE ANNUAL DEBT SERVICE REQUIREMENTS			TIMES COVERAGE
				PRINCIPAL	INTEREST	TOTAL	
1996	\$ 4,902,528	\$ 3,443,204	\$ 1,459,324	\$ 378,200	\$ 197,329	\$ 575,529	2.54
1997	5,686,889	3,900,385	1,786,504	373,947	186,375	560,322	3.19
1998	6,243,782	4,309,062	1,934,720	371,944	176,980	548,924	3.52
1999	6,949,624	4,747,448	2,202,176	368,235	167,678	535,913	4.11
2000	7,302,200	5,057,117	2,245,083	366,563	158,276	524,839	4.28
2001	6,944,496	5,143,551	1,800,945	363,200	148,711	511,911	3.52
2002	7,332,495	5,808,561	1,523,934	358,214	139,047	497,261	3.06
2003	7,501,583	5,784,330	1,717,253	352,692	129,354	482,046	3.56
2004	7,929,374	5,876,411	2,052,963	345,000	119,647	464,647	4.42
2005	8,023,334	6,161,436	1,861,898	334,091	110,015	444,106	4.19

* Includes operating and non-operating revenue.

** Includes operating expenses and non-operating expenses exclusive of depreciation, amortization and interest charges.

Source: City of Tukwila Finance Department



City of Tukwila

Statistical Section

Table 13

DEMOGRAPHIC STATISTICS Last Ten Fiscal Years

FISCAL YEAR	POPULATION	NUMBER OF SINGLE-FAMILY HOMES	NUMBER OF MULTI-FAMILY UNITS	TUKWILA SCHOOL DISTRICT ENROLLMENT
1996	14,880	3,202	4,165	2,370
1997	14,930	3,230	4,196	2,458
1998	14,990	3,262	4,196	2,408
1999	14,840	3,303	4,196	2,550
2000	17,181	3,364	4,196	2,562
2001	17,230	3,371	4,196	2,410
2002	17,270	3,433	4,196	2,474
2003	17,270	3,468	4,196	2,568
2004	17,240	3,732	4,107	2,628
2005	17,110	3,791	4,107	2,650

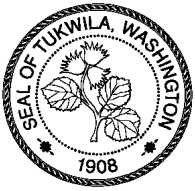
Sources: City of Tukwila Planning Division, Department of Community Development
State of Washington Office of Financial Management
Tukwila School District #406

Table 14

CONSTRUCTION AND PROPERTY VALUE
Last Ten Fiscal Years

FISCAL YEAR	Commercial -----Construction-----		Residential -----Construction-----		All Other -----Construction-----		TOTAL PERMITS	CONSTRUCTION VALUE	TOTAL ASSESSED PROPERTY VALUE
	NO. OF PERMITS	DOLLAR VALUE	NO. OF PERMITS	DOLLAR VALUE	NO. OF PERMITS	DOLLAR VALUE			
1996	280	\$ 24,299,261	66	\$ 6,598,450	222	\$ 14,429,428	568	\$ 45,327,139	\$ 2,380,534,000
1997	291	19,659,200	82	7,910,374	220	4,690,338	593	32,259,912	2,432,140,644
1998	312	68,034,541	72	5,629,626	283	9,929,099	667	83,593,266	2,575,510,077
1999	498	65,725,731	153	8,234,895	49	12,586,351	700	86,546,977	2,747,656,327
2000	277	204,463,183	104	12,534,350	344	28,153,887	725	245,151,420	3,004,528,773
2001	258	69,598,425	112	12,169,759	263	11,373,404	633	93,141,588	3,344,045,742
2002	211	39,169,974	147	14,221,232	281	10,255,462	639	63,646,668	3,489,704,657
2003	197	34,438,414	101	10,528,707	238	10,808,417	536	55,775,538	3,384,090,709
2004	226	23,976,098	106	10,510,658	214	6,562,123	546	41,048,879	3,441,123,525
2005	220	24,034,446	128	10,857,371	275	34,003,861	623	68,895,678	3,610,558,767

Sources: King County Department of Assessments - Construction/Assessed Property Value
City of Tukwila Building Department - Permits/Dollar Value



City of Tukwila

Statistical Section

Table 15

PRINCIPAL PROPERTY TAXPAYERS December 31, 2005

NAME	TYPE OF BUSINESS	2005 ASSESSED VALUATION	PERCENT OF TOTAL ASSESSED VALUE*
The Boeing Company	Airplane company	\$ 406,629,442	11.82%
Westfield Corporation, Inc.	Department stores	127,027,984	3.69%
AMB Institutional Alliance	Commercial properties	72,288,400	2.10%
La Pianta Limited Partnership	Commercial properties	68,037,854	1.98%
Boeing Employee's Credit Union	Credit union	55,835,408	1.62%
Eproperty Tax Inc.	Investment property	50,578,300	1.47%
Group Health Cooperative	Health care	47,327,334	1.38%
Heitman	Commercial properties	47,209,629	1.37%
KIR Tukwila LLC/KIMCO	Commercial properties	35,894,700	1.04%
Federated Stores	Department stores	24,784,700	0.72%
Puget Sound Energy	Electric/Gas utility	21,718,812	0.63%
Sea-Tuk Warehouse LLC	Food distribution	21,378,700	0.62%
CHA Southcenter LLC	Lodging	17,030,718	0.49%
Koar-Sea Tac Partners LP (Embassy Suites)	Lodging	16,728,035	0.49%
Wig Properties LLC (J.C. Penney)	Department store	15,160,200	0.44%
Merrill Cr. Holdings LLC (Kenworth Motors)	Truck manufacturer	15,018,800	0.44%
Cigna Life Insurance Company	Insurance company	14,932,400	0.43%
Jorgensen Forge Corp	Steel manufacturer	14,436,596	0.42%
Lowe's Hardware and Garden	Home improvement	14,330,067	0.42%
Sterling Realty Corporation	Commercial properties	11,717,000	0.34%
Qwest	Telephone utility	10,867,469	0.32%
Harnish Group Inc.	Truck equipment	10,286,052	0.30%
Hill Investment Company	Commercial properties	6,318,400	0.18%
TOTALS		<u>\$ 1,125,537,000</u>	<u>32.71%</u>

* In 2005 the total assessed property value in the City of Tukwila was \$3,610,558,767

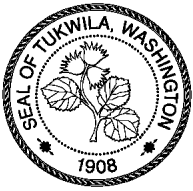
Source: King County Department of Assessments

Table 16

2005 SALARY RANGES OF PRINCIPAL OFFICIALS

POSITION	MINIMUM	MAXIMUM
Mayor	\$ 81,600	\$ 81,600
Councilmembers (each)	12,600	12,600
City Administrator	97,296	126,528
Administrative Services Director	84,144	111,744
Dept. of Comm Dev Director	84,144	111,744
Finance Director	84,144	109,404
Parks & Recreation Director	84,144	109,404
Fire Chief	86,988	113,124
Police Chief	86,988	113,124
Public Works Director	86,988	113,124

Source: City of Tukwila Finance Department



City of Tukwila

Statistical Section

Table 17
MAJOR EMPLOYERS
2005

NAME OF COMPANY/EMPLOYER	PRODUCT OR BUSINESS	2005
		FULL- & PART-TIME EMPLOYMENT
The Boeing Company	Airplane company	9,638
Group Health Cooperative	Health care	1,400
Costco Wholesale & Optical	Cash/carry warehouse & optical products	589
King County Metro	Transit operating base	559
J.C. Penney Company	Department store	409
Nordstrom, Inc.	Department store	398
Boeing Employee's Credit Union	Credit union	384
Bon-Macy's	Department store	375
Red Dot Corporation	Heater/air conditioning equipment	357
University of Phoenix	University	324
City of Tukwila	Government	323
Xerox Corporation	Xerox equipment	301
Highline Community Hospital	Hospital	300
United Parcel Service	Parcel delivery service	288
Hartung Glass Industries	Manufacturing	228
Doubletree Guest Suites	Lodging	222
Yellow Transportation	Trucking/Motor/Freight	215
Home Depot	Hardware/home improvement store	210
American Medical Response	Medical transportation	210
Federated Logistics Services	Distribution	207
Sears, Roebuck and Company	Department store	205
Associated Grocers Inc.	Perishable merchandise	204
Homeland Security	Federal agency	200
Free & Clear, Inc.	Smoking cessation services	200
Sub-total - Major Employers		17,746
All Other Employment		24,134
TOTAL EMPLOYMENT		41,880

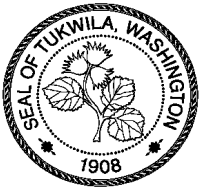
Source: City of Tukwila City Clerk's Office - business licenses

Table 18

MISCELLANEOUS STATISTICS AND INFORMATION
December 31, 2005

Date of Incorporation:.....	June 29, 1908
Form of Government:.....	Mayor/Council
Type of Government:.....	Noncharter, Optional Code City
Area:.....	8.6 square miles
Population:.....	17,110
Number of City Employees:.....	323 Salaried City Personnel
Election and Voter Registration:.....	18 precincts 6,698 registered voters
Fire Protection-	
Number of Fire Personnel:.....	66
Number of Stations:.....	4
Number of Responses:.....	4,710
Total Fire Loss:.....	\$1,414,741
Police Protection-	
Number of Police Personnel:.....	84
Number of Calls for Service:.....	32,922
Parks and Recreation-	
Total Acreage:.....	225
Street-	
Miles:.....	79
Signalized Intersections:.....	61
Utility Services-	
Water	
Total Customers:.....	2,164
Total Gallons/Water:.....	886,000,000
Sanitary Sewer	
Total Customers:.....	1,710
Surface Water	
Total Customers:.....	5,100
Miles Storm Sewers:.....	200
Licenses-	
Business Licenses:.....	2,286
Amusement Licenses:.....	19
Libraries-	
Number of Libraries:.....	3
Total Circulation:.....	215,115

Source: City of Tukwila Finance Department



City of Tukwila

Statistical Section

